



Daily Report

East Asia

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Singapore Minister on Benefits of Growth Triangle

BK2012085994 Singapore THE SUNDAY TIMES in English 18 Dec 94 p 1

[By Chan Sue Meng]

[FBIS Transcribed Text] Progress within ASEAN Growth Triangles will be faster if projects in such sub-regional groupings can proceed without first requiring every one's participation, Deputy Prime Minister Brigadier General [BG] (NS) [National Service] Lee Hsien Loong said yesterday.

"It is not necessary for all ASEAN countries to participate in every sub-regional cooperation project, almost by the definition of sub-regional cooperation. If we insisted on this requirement, our progress would be much slower," he said.

He was speaking at the signing of the Memorandum of Understanding for the Growth Triangle linking Singapore, Johor and the Riau islands of Indonesia. Known informally as Sijori previously, it is now called the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT).

About 200 officials and private sector businessmen from the three countries witnessed the event, held in Johor Baru [Malaysia].

Singapore's practical approach to promoting the IMS-GT was shared by its two other partners, as reflected in the remarks of Malaysian International Trade and Industry Minister Datuk Sri Rafidah Aziz and Indonesia's Coordinating Minister for Trade and Industry Hartarto.

Datuk Rafidah agreed that while the Growth Triangle MOU paved the way for trilateral cooperation, it should not prevent the partners from working together on a bilateral basis.

"Definitely, there are some things that need not be done on a trilateral basis. It is up to the private sector to see how they can synergise. If it can be done trilaterally, better still. If it's bilateral and that's the most competitive way, so be it."

Mr. Hartarto said the MOU for IMS-GT was a significant piece of paper.

"However, in the end, economic cooperation is not verbal, but is an achievement of hard work and acceptance of responsibility."

The Growth Triangle will help accelerate the target for achieving free trade in ASEAN by 2003, he said.

Yesterday's IMS-GT MOU, said BG Lee, will send a clear signal to businessmen that the three governments are committed to working together to promote and facilitate cross-border business linkages.

"Businessmen need to know this not only in the short term, but also over the life of their projects, which is often measured not in years but in decades."

By exploiting their complementarities, the three countries could now gain a competitive edge for their exports, he added.

The MOU yesterday also threw the full backing of the Malaysian government behind the Triangle.

Datuk Rafidah said: "In the past, growth of this sub-regional grouping has always been moved by Singapore and Indonesia. This MOU brings Malaysia in as the third component of the Triangle."

The IMS-GT, which was first mooted in 1989, has already seen rapid progress even before its official inauguration yesterday.

Singapore-Johor ties, for instance, have thrived, even in the absence of a formal government-to-government agreement.

Between 1990 and 1993 Singapore companies invested over M [Malaysia] \$1.5 billion (S [Singapore] \$850 million) in Johor and created more than 37,000 jobs. The Malaysian state is also a popular tourist destination for Singaporeans.

Similarly, Singapore-Indonesian cooperation in the Riau Province, covered by a bilateral agreement, has resulted in Singapore companies investing more than S\$500 million into the Riau, creating over 32,000 jobs.

The emergence of other regional triangles—like the Northern Growth Triangle grouping Malaysia, Indonesia and Thailand, and the Eastern Growth Triangle, linking East Malaysia, Indonesia and the Philippines—was a "tribute to the success" of this Triangle, said BG Lee.

"Growth triangles are non-exclusive. The more closely ASEAN countries cooperate economically, the more resilient our economies will be, and the more all of us will benefit," he said.

Triangle Partners To Form Private Sector Panel

BK1912152894 Singapore THE STRAITS TIMES in English 19 Dec 94 p 16

[FBIS Transcribed Text] Johor Baru—Singapore, Malaysia and Indonesia have agreed that their private sectors form an umbrella body to co-ordinate business activities and ensure profitability under the economic growth triangle linking Singapore, Johor and the Riau islands of Indonesia.

Johor Mentri Besar [chief minister] Tan Sri Muhyiddin Yassin said yesterday that this was one of two main mechanisms in the context of economic cooperation among the three partners.

The second mechanism would be to establish contacts initially at an official level to sort out regulations which

delayed efforts at co-operation, he said at a news conference at his official residence here.

He said that he had discussed the two mechanisms at a meeting with Singapore's Deputy Prime Minister Brigadier-General Lee Hsien Loong and Indonesia's Coordinating Minister for Trade and Industry S. Hartarto on Saturday.

Together with Malaysia's Minister of International Trade and Industry Datuk Sri Rafidah Aziz, the ministers were in Johor Baru [Malaysia] to sign a Memorandum of Understanding on co-operation under the Indonesia-Malaysia-Singapore Growth Triangle.

Tan Sri Muhyiddin said such a private-sector umbrella body existed between industrialists in Johor and Riau following initiatives taken last year by the Johor Malay Chamber of Commerce and Industry and traders in Riau.

On enhancing trade link between Johor and Riau, he said Mr. Hartarto had invited Johor firms to set up downstream timber-based industries.

For example, he said, Johor businessmen could undertake ventures in the furniture industry as the Riau islands had 283,000 ha of rubber trees which could provide the wood for furniture-making.

Japan

Reports on Jan U.S.-Japan Summit Talks Continue

Murayama Sets U.S. Itinerary

OW2012114794 Tokyo KYODO in English 1138 GMT
20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Prime Minister Tomiichi Murayama said Tuesday [20 December] he will not stop by Canada in January when he visits the United States for a summit with President Bill Clinton.

"It's impossible to visit Canada. The schedule is too tight because of the Diet session," the premier told reporters at his official residence, responding to a reporter's question. With the Canada visit now scrapped, Murayama's U.S. itinerary is set for Jan. 10-13. He will meet Clinton in Washington on Jan. 11.

The premier had planned to visit Canada for talks with Prime Minister Jean Chretien as Canada is the host nation for next year's summit of the Group of Seven (G-7) major economic powers in Halifax in June.

Murayama has already met twice with the U.S. leader—once at this year's G-7 summit in Naples in July and again at the informal summit of leaders of the Asia-Pacific Economic Cooperation (APEC) forum in Jakarta in November.

MITI Calls For 'Specific' Policy

OW2012041694 Tokyo KYODO in English 0342 GMT
20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Japan should work out a specific economic policy stance to be emphasized during the Jan. 11 summit with the United States after the government's fiscal 1995 budget is compiled on Dec. 25, the trade minister said Tuesday [20 December].

"It is necessary to adopt economic steps that could be effectively demonstrated to the U.S. after the overall budget framework is clarified on Dec. 25," International Trade and Industry Minister [MITI] Ryutaro Hashimoto told a news conference after the cabinet meeting.

Hashimoto said he made the proposal during a meeting with Prime Minister Tomiichi Murayama earlier in the day.

Hashimoto said a new tax system for next year, which focuses on tax cuts, has been already crafted.

Other macroeconomic steps intended to stimulate Japan's domestic demand and thus reduce its current-account surplus will become clear in the course of the budget compilation, Hashimoto said.

Prime Minister Murayama is scheduled to meet with U.S. President Bill Clinton in Washington on Jan. 11. The Japan-U.S. Summit in the U.S. will be the first since Murayama took office in June.

Trade 'Not' Main Topic

OW2012111894 Tokyo MAINICHI SHIMBUN in
Japanese 20 Dec 94 Morning Edition p 9

[FBIS Translated Text] On 19 December, a senior official at the Ministry of International Trade and Industry [MITI] indicated that trade issues will not be the main topic on the agenda at the Japanese-U.S. summit scheduled for next month, saying: "I do not think the framework trade talks will be the focal point of the summit as trade negotiations will focus on inconspicuous topics such as deregulation and investment trusts. The United States has turned its attention to domestic affairs and is not concerned about trade relations with Japan."

Christopher-Kono Telecon on DPRK Issue Reported

OW1912143694 Tokyo KYODO in English 1431 GMT
19 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 19 KYODO—U.S. Secretary of State Warren Christopher sees North Korea's nuclear problem one of major themes in summit talks between the leaders of Japan and the United States in January, Japanese Foreign Ministry officials said Monday [19 December].

In a 20-minute phone conversation Monday, Christopher told Foreign Minister Yohei Kono it is extremely important to finish arrangements for the establishment of an international consortium to extend safer nuclear reactors to North Korea.

The officials quoted Christopher as saying it is important for President Bill Clinton and Prime Minister Tomiichi Murayama to discuss the matter in line with an agreement reached among the leaders of Japan, the United States and South Korea in Jakarta in November.

Clinton, Murayama and South Korean President Kim Yong-sam agreed in Jakarta that the successful implementation of the U.S.-North Korea nuclear accord in October is of the utmost importance in securing peace and stability in the world.

Christopher also told Kono that the U.S. is making efforts so that the recent death of a U.S. pilot of a helicopter forced down in North Korea will not affect the implementation of the U.S.-North Korea nuclear accord.

Kono told Christopher that North Korea's nuclear issue is a problem not only for Japan, the U.S. and South Korea but also a global problem from a nuclear nonproliferation point of view and that Japan wants to continue close cooperation with the U.S.

Possible topics also include bilateral trade "framework" talks, a "common agenda" for global cooperative relations under the framework talks and the Asia-Pacific Economic Cooperation (APEC) forum, Christopher was quoted as saying.

*** U.S. Decision To Turn Focus to Asia Reported**

952B0046A Tokyo SENTAKU in Japanese Nov 94 pp 94-97

[Unattributed article: "The United States Decides To 'Abandon Japan': The Price of Victory in the Economic Framework Talks"]

[FBIS Translated Text] The hollowing out of the Japan-U.S. relationship has begun. In the Japan-U.S. economic framework talks the Japanese side carried through its rejection of numerical targets and won by perseverance, but the United States, which had no positive results, reassessed its diplomacy toward Japan, and is about to lower its priority ranking. The Clinton administration is shifting diplomatic emphasis to Asian nations other than Japan, and to China, Indonesia, and India in particular. In contrast to this, the Japanese side has a strong sense of satisfaction that: "Japan said no to the United States for the first time in the postwar period and got its way" (MITI executive). A conviction that it will be an equal relationship in which from now on Japan argues fairly and justly with the United States has spread in Kasumigaseki and Nagata-cho. But what has actually arisen in the United States is a vast current of "abandoning and ignoring Japan" in political and business circles just as though a dam were broken. The only thing that the United States worries about is that the Japan-U.S. Security Treaty will be exposed to a crisis regarding its continuation. If that happens, the U.S. position will become weak vis-a-vis China, the dominant power in Asia. In order to prevent this, the United States is rushing deployment in Japan of a theatre missile defense (TMD) network. If Japan's defense technology system is incorporated deeply into the United States, Japan will no longer be able to separate itself from Far East strategy of the United States. While appearing to have no policy, the Clinton administration is duly preparing for erosion of the Japan-U.S. relationship.

An Ominous Chain of Recent Events

After the priority-field negotiations of the Japan-U.S. framework talks reached agreement in Washington except for automobile parts, in October a number of events that influence the Japan-U.S. relationship occurred in succession.

- In Washington the leaders of such major business lobbying organizations as the National Association of Manufacturers and the Business Roundtable proposed to President Clinton and National Economic Council (NEC) Chairman Rubin "emphasis on other Asian countries more than Japan." They said: "The

U.S. economic diplomacy toward Asia overemphasizes Japan. One can expect far greater fruits from other Asian countries than from the Japanese market." In response to this, the NEC began a review of its strategy toward Japan and other Asian countries.

- A former high official of the U.S. Government revealed to THE NEW YORK TIMES that the CIA was giving monetary aid for activities to the Liberal Democratic Party beginning in the latter half of the 1950's.
- A theory circulated that Deng Xiaoping was seriously ill.
- Agreement was reached in Beijing between Defense Secretary Perry and Chinese military leaders on expanding military interchange between the United States and China.
- In Geneva a "nuclear" agreement was concluded between the United States and North Korea.
- In San Francisco in connection with transfer of the stock of the major U.S. motion picture company, MCA, a wholly owned subsidiary of Matsushita Electric Industrial Co., Ltd., a confrontation surfaced with the MCA management team and director Spielberg. Chairman Matsushita hastily went to the United States, and talks with the MCA management team failed to reach agreement.
- In Tokyo high-level Pentagon officials will come to Japan and have intensive discussions, beginning at the end of the month, with the Defense Agency regarding a theatre missile defense plan.
- The strong yen ignites on the Tokyo market; meanwhile, hollowing out of financial markets advances.

If one applies the key word "erosion of the Japan-U.S. relationship" to these events, they are connected like a chain. And they happened to occur less than one month after the Japan-U.S. framework talks came to the end of one phase. There are a few points that cannot be settled, as it is natural that the Japan-U.S. relationship is also dragged by sudden changes in the international situation.

To begin with, Clinton's policy of emphasizing Asia truly originated in the breakdown of the Clinton-Hosokawa meeting of the Japan-U.S. framework talks in February and continued with extension of China's most-favored-nation status and abolition of human-rights diplomacy in May and dispatch of a joint government-private sector mission to China in August. Responding to this, the NEC and the National Security Council (NSC) will change the allocation of the relative diplomatic importance of Japan and Asia.

Originally, when the Clinton administration started, the NAM and the Business Round Table proposed to President Clinton a new trade policy toward Japan which "emphasizes results," including numerical targets, and the President proposed (then) Prime Minister Miyazawa the Japan-U.S. economic framework talks based on that. It is said that from the beginning of the framework talks

until February the White House NEC "held meetings related to the Japan-U.S. framework talks together with the NSC three or four times a week on a good week," at the cabinet minister, vice minister, and specialist level (U.S. Government source). That is how important the Clinton administration viewed Japan. However, the talks encountered strong resistance from bureaucrats on the Japanese side, and the February Clinton-Hosokawa talks broke down. Then the talks took all of one year and three months, and agreement was finally reached on government procurement, insurance, and plate glass. The result was that nothing was done about introducing numerical targets, and auto parts ended without agreement. To the U.S. business community no important positive result was gained.

The U.S. Reason for Insisting on TMD

The U.S. business community's main concern is turned toward China. The major manufacturers of cars, computers, and telecommunications equipment have been saying: "It is difficult to enter the Japanese market and not profitable. China is far more open and is easier to enter."

A trend toward neglecting Japan can be read even on the political side. According to the 20 October morning edition of YOMIURI SHIMBUN, a former high-level State Department official who passed CIA funds to the LDP answered: "This past CIA secret operation is troublesome in Japan even today, so I think it is intolerable." Reaction within Japan has actually subsided, but by the standard of U.S. public opinion it ought to be an almost "intolerable" shock to the LDP. Knowing this, a person related to the CIA, who ought to preserve the secret throughout his lifetime, ventured to disclose it. Unless he intended to shake up the LDP-SDPJ coalition government, it reflects a trend of indifference toward Japan in the United States.

What is probably more serious politically is the U.S.-North Korea nuclear agreement. In spite of the fact that in the Clinton administration Defense Secretary Perry and others have warned repeatedly from a year ago that "North Korea has several nuclear bombs," that vital point was ignored in the "agreement." Now, when because of North Korea's economic breakdown, it became a situation in which peaceful unification of North and South Korea is facilitated after the death of Kim Il Song, if there are "nuclear weapons" in North Korea the Republic of Korea will no doubt become a "nuclear" power. For some reason the Japanese side does not even question the United States about this important point. On the the United States, too, Defense Secretary Perry went to Beijing and did not come to Tokyo. If the United States is ignoring Japan because the SDPJ and Finance Minister Takemura, whom the CIA suspects of being sympathetic to North Korea, are at the core of the government and therefore cannot be told anything of the content of the agreement, it means that the United States does not regard Japan as an ally. The

Ministry for Foreign Affairs also averts its eyes from this reality, and earnestly depends on the United States in regard to becoming a permanent member of the UN Security Council. Because the first stage of the framework talks was over, they reported to Foreign Minister Kono and Prime Minister Murayama that the crisis in Japan-U.S. relations had been overcome, and in regard to the North Korea problem they only prepare for follow-up conversations with the United States.

Defense Secretary Perry dispatched high-level Pentagon officials to Japan at the end of October and they entered into penetrating talks with the Defense Agency concerning theatre missile defense. The United States brought up the concept of theatre missile defense on the occasion of last year's nuclear suspicions concerning North Korea and tried to have the Japanese side build a missile defense network in advance, but this time, even after having announced that it had disposed of the North Korean problem, it still preaches that "TMD is necessary." The Pentagon side stresses that "from the outset TMD has been a long-range plan and is unrelated to the current North Korean problem," but the intention to fix deployment of a TMD in Japan's established policy line as the time comes up for compilation of Japan's budget has become clear. The United States does not demand as stubbornly as before the overall employment of U.S. satellites, missiles, and radar technology, and has also become flexible on joint Japan-U.S. development based on providing technology to Japan. The U.S. side is calculating on the fact that in that way it will be easier for the Defense Agency to steamroller the Ministry of Finance on its budget request.

There is a popular view that the United States clings to TMD in order to preserve U.S. defense industries, but persons connected with the Pentagon totally deny that. They emphasize: "It more necessary for Japan's defense than for that of the United States." The current security treaty was originally a product of the cold war which assumed the nuclear empire called the Soviet Union to be the potential enemy power. Rather than defending Japan from nuclear attack, the United States assigned to Japan-U.S. security the position of one link in a world strategy toward the Soviet Union. By the logic of the U.S. side, taking another look at the security treaty because of the end of the cold war is a natural conclusion.

Behind the "MCA Revolt"

However, the United States attaches importance to Asia, is conscious of China, the dominant nation in the Asia region, and is pressed with the necessity of building a comprehensive new relationship with China on politics, economy, and security. It thinks that in such a case the economic superpower Japan will stick with the U.S. side to the end in the aspects of politics and security. For a long time U.S. Ambassador Mondale has been concerned that "if Japan becomes close to China, the U.S. position in Asia will become very weak." That the

Japan-U.S. relationship is important in terms of stabilizing the relationship with China is the State Department's idea. From September the U.S. side already grasped information of the decline of Deng Xiaoping's health, so it was necessary to prepare also for an unexpected situation in China. In the very midst of the framework talks in Washington at the end of September Ambassador Mondale advised the White House that, even taking the situation in China into consideration, he must avoid a breakdown of the Japan-U.S. framework talks.

Over the long term it may be that the confrontation on the economic aspect will not be resolved, and a weakening of the Japan-U.S. relationship cannot be avoided. Even in such a case, the United States wants to prevent Japan's independence and nuclear arming on the military aspect. Therefore, it will allow Japan to build an "infallible defense system," TMD. U.S. specialists are claiming to the Defense Agency that, "if it has TMD, Japan can protect itself from a surprise first missile strike by any third country at any time, so Japan need not depend on its own nuclear deterrent by arming itself with nuclear weapons, need it." The TMD will basically be incorporated into the U.S. system of missile technology and information-communications technology, so it would not do for Japan to abandon the security setup. The United States would be able to cut down on costs by reducing the number of personnel at military bases in Japan, and, by maintaining those bases, it could build between it and China a security framework for Asia.

However much it looks as though the Clinton administration is piling up failures because of diplomatic tone deafness, actually its Asian strategy, which is predicated on the hollowing out of the Japan-U.S. relationship, is elaborate, unlike others.

Even so, the U.S. neglect of Japan is such a sudden change in its posture toward Japan that I can hardly believe that it is the same country in which, until just recently, "Japanophobia" was widespread, and which was intent on containment of Japan. A typical example of that is the revolt of MCA, which was purchased by Matsushita in January 1991 during the peak of the economic bubble, and of the Hollywood movie community which surrounds it. The feud between Matsushita and MCA has a serious aspect that cannot be understood as a simple dispute between a Japanese parent company and a U.S. subsidiary. It arose because MCA, which has Spielberg, a master of entertainment movies, is attracting attention as a major player in the multimedia industry that will lead from the end of this century into the beginning of the next, and strongly sensed its role as MCA of America multimedia. Even without any help from Matsushita, many companies in the United States want to buy MCA, such as Telecommunications Corporation, the largest cable television company.

Even if MCA joins with Japan, the only thing it could use would be money; moreover, Matsushita is in the midst of

restructuring. It is cautious about a huge additional investment in the movie industry, so on the whole it could not come to an agreement with the MCA management team. Despite the fact that multimedia-related industrial reorganization and technical innovation have suddenly arisen in the United States, because of government regulation and a stagnation of corporate technical innovation in Japan, Japan is falling further and further behind the United States. Director Spielberg's announced intention to acquire MCA stock is gathering the support of the Hollywood community. All of the leading U.S. newspapers attracted the attention of all the United States by spreading a lot of information that was disadvantageous to Matsushita.

Hollywood entertainment industry ruler Wasserman, who has served as chairman of MCA for all of 48 years, has strong ties to important members of the Clinton administration; for instance, he can treat U.S. Trade Representative Kantor, who worked as a lawyer in Hollywood, as an errand boy. MCA's revolt against Matsushita is equivalent to a divorce notice to Japan from an the United States which gained self-confidence to overwhelm Japan in next-generation industries.

MITI has been sure that if the mutual relationship of the Japanese and U.S. economies deepened, the ones who would be in trouble if the United States invoked sanctions against Japan would be the U.S. Pentagon and auto industry. The Ministry of Finance, too, has asserted that Japan's surplus stabilizes the U.S. macro economy by compensating for the U.S. budget deficit. However, in semiconductor dynamic random access memory, which Japan had made a sphere of activity in which it was unchallenged, the position of first in the world was wrested from it by the Republic of Korea's Samsung Electronics. Japan's personal computer industry will be ruined if it can no longer receive provision of Intel's MPUX86 series central processing unit. Japan was refused provision of patented technology for MPU's from such U.S. manufacturers as Intel, so the Japanese semiconductor industry has no choice but to buy ones made in the United States. The U.S. auto parts industry is also running at the leading edge of technical innovation by joining with Silicon Valley companies.

Dangerous Japan-U.S. Rivalry in Asian Markets

Japanese stock markets are supported by the purchases of U.S. institutional investors, and are exposed to hedge-fund speculation in yen. Yen assets which are strongly regulated by the Ministry of Finance are bought and sold on free markets other than Japanese markets, and assigned arbitrary prices in Hong Kong, Singapore, London, and New York. On the Tokyo Stock Exchange new Asian corporations also turn away, and U.S. companies withdraw their listing.

Meanwhile, the Japanese Government, which is immersed in the aftertaste of "victory in the framework talks," has no view of what to do after this. Even though

Prime Minister Murayama was told by President Clinton at the November APEC [Asia Pacific Economic Cooperation] summit conference that such things as relaxation of regulation and strengthening application of the Antimonopoly Act would be taken up in the second round of the framework talks, (a Foreign Ministry executive) says: "They are internal matters for Japan, they will not change because we are told to by the United States." Above all, in Japan the kind of "reform" mood that existed when the Hosokawa government started has disappeared, and the Murayama government is scattering subsidies around just as past LDP governments did, is giving only lip service to relaxation of regulation and administrative reform, and cannot control Diet members who rush to expand vested interests.

Originally the framework talks had the aim of preparing for a cooling of the Japan-U.S. relationship that was expected after the cold war. When the framework talks began, presidential assistant Cutter and Undersecretary of Commerce Garten told important members of the Japanese Government that, if they did not solve the problems of trade imbalance and the closed nature of Japanese markets, U.S. public opinion toward Japan would deteriorate and the Japan-U.S. alliance relationship would definitely grow weaker.

Actually, when U.S. domestic business conditions recovered, the unemployment rate improved and industrial competitiveness centered on high technology reached the point of overwhelming Japan, the United States as a whole ceased to be bothered by Japan. Rather, it came to abandon Japan, and Japan, too, entered a mood in which it was natural to say "no" to the United States.

Between Japan and the United States it became natural for both vice ministers and cabinet members to speak ill of their opposite numbers in the negotiations in front of others and to attack each other personally. It is by no means an atmosphere in which one can have a dialogue with trust. It is a singular phenomenon between Japan and the United States because the economy became the axis of diplomacy.

There is a strong possibility that, ultimately, the U.S. Government will adopt an attitude of ignoring Japan completely in the economy aspect. For example there is approval of discriminatory treatment of Japanese companies in the U.S. market. Already the congressional Bureau of Technology Assessment has put together a survey report which made clear such things as that Japanese companies operating in the United States are increasing imports from Japanese companies by keiretsu trade practices.

What is ominous is the possibility of Japan-U.S. rivalry in the Asian markets on which the Clinton administration is newly placing emphasis. The United States is about to attach a claim to Japan's manner of using assistance funds in the China market and so on. Undersecretary Commerce Garten warns that: "A far worse influence on the relationship of the two countries comes

from Japan-U.S. rivalry in Asian markets than from rivalry in the Japanese market." Just as a Japan-U.S. feud over Manchurian railroad interests following the Russo-Japanese War determined later Japan-U.S. relations, if mutual distrust between Japan and the United States leads to insufficient dialogue in the markets of Asia, and of China in particular, Japan and the United States may enter dangerous waters.

Miyashita Predicts Additional Gulfstream Purchases

*OW2012112094 Tokyo KYODO in English 1108 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Japan will purchase additional U.S.-built Gulfstream aircraft after fiscal 1995 as Japan's next generation of multipurpose military planes, Environment Agency chief Sohei Miyashita predicted Tuesday [20 December].

Miyashita, a former Defense Agency chief, told a news conference after a cabinet meeting that he believes Japan will buy seven more U.S. aircraft after fiscal 1995, in addition to two Gulfstream airplanes for 7.2 billion yen in fiscal 1995 beginning next April 1.

But Chief Cabinet Secretary Kozo Igarashi told Defense Agency chief Tokuichiro Tamazawa and other ministers in a high-level meeting on Tuesday afternoon that the government has not decided on the type of multipurpose military aircraft to be purchased after fiscal 1995.

The Defense Agency said earlier this month that a comprehensive evaluation shows the Gulfstream IV to be superior and the most appropriate in terms of price and operating costs over their anticipated 20-year life span.

The Defense Agency tentatively picked the model in August over two other candidates, the Falcon 900 of France and the Challenger 601 of Canada. The UX is to replace an aging fleet of six-seat B-65s and will be used as a midair command base for transporting prominent figures and supervising military drills.

UN Approves Tokyo-Led Resolution on Disarmament

*OW1712023294 Tokyo KYODO in English 0223 GMT
17 Dec 94*

[FBIS Transcribed Text] New York, Dec. 16 KYODO—The UN General Assembly has adopted without opposition a Japanese-proposed resolution on the ultimate elimination of nuclear weapons.

The resolution, titled "nuclear disarmament with a view to the ultimate elimination of nuclear weapons," was passed Thursday. It was independently submitted by Japan last month and passed by the world body's first committee Nov. 18.

A total of 163 countries voted for the resolution and no single country opposed. Eight countries abstained—Britain, Brazil, Cuba, France, India, Israel, North Korea and the United States.

Except for Cuba, the other seven possess or are suspected of trying to possess nuclear weapons. Two other nuclear powers, China and Russia, voted for the resolution.

The resolution urges all nonmember countries to join the Nuclear Nonproliferation Treaty (NPT) as early as possible while calling on nuclear powers to pursue "efforts for nuclear disarmament with the ultimate objective of the elimination of nuclear weapons in the framework of general and complete disarmament."

It also calls on all countries to "fully implement their commitments in the field of disarmament and nonproliferation of weapons of mass destruction."

Canadian Envoy Urges Further Deregulation

OW1512143994 Tokyo NIHON KEIZAI SHIMBUN in Japanese 15 Dec 94 Morning Edition p 5

[FBIS Translated Text] Canadian Ambassador to Japan Campbell [name as transliterated] revealed on 14 December that he had sent a letter to the Japanese Government. In the letter, he asked that Japan include the abolishment of unreasonable regulations preventing foreign companies from entering Japanese markets and the improvement of Japan's standards and certification system as elements in its five-year deregulation promotion plan. The ambassador said: "I hope it will further speed up the deregulation process in Japan."

Foreign Ministry Urges Spending for DPRK Reactors

OW1912110794 Tokyo KYODO in English 1057 GMT 19 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 19 KYODO—The Foreign Ministry said Monday [19 December] that the amount of money Japan will extend for an international project to provide North Korea with modern light-water nuclear reactors will be "limited" because it will come from taxpayers' money.

"Because taxpayers' money will be used, there shouldn't be any waste," said Vice Foreign Minister Kunihiro Saito at a news conference. "Japan will disburse the least amount it thinks necessary," he said, adding that Japan will make clear the areas it is willing to finance before pledging its contribution.

The comments followed statements Sunday by Japanese opposition party leader Ichiro Ozawa who said Japan should not extend a huge amount of money for the consortium and that suspicion remains over a North Korean promise to dismantle its nuclear program.

Under a deal between the United States and North Korea in October, an international consortium will be

set up to provide some 4 billion dollars for building two new safer light-water nuclear reactors to replace the North Korea's existing graphite-moderated reactors. In exchange, North Korea said it would freeze its nuclear program, thought to be part of a program to produce weapons-grade plutonium.

Japan, South Korea and the U.S. agreed over the weekend in San Francisco to hold the first meeting of the international consortium in February. The consortium will be headquartered in New York and is tentatively called the Korean Energy Development Organization (KEDO). But the three countries still remain divided on the share of each country's financial contribution in the consortium.

During a television program Sunday, Ozawa, secretary general of the largest opposition Shinshinto (New Frontier Party), said Japan should "not spend a huge amount of taxpayers' money unless the nuclear issue is squarely dealt with."

UNHCR Gives 'High Marks' to Mission in Rwanda

OW2012043894 Tokyo KYODO in English 0344 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—U.N. High Commissioner for Refugees (UNHCR) Sadako Ogata gave high marks Tuesday [20 December] to Japan's Self-Defense Forces (SDF) mission in Zaire to help Rwandan refugees, and called for a program to boost Japan's international contributions, Foreign Ministry officials said.

Ogata made the appeal in a 20-minute meeting with Foreign Minister Yohei Kono, saying Japan should naturally increase its activities on the international scene, without pushing itself forward unacceptably, the officials said.

Although Kono said the SDF mission to Zaire for humanitarian purposes was a new experience for Japan, Ogata expressed her praise that it had been completed with great success.

Touching on the UNHCR's activities worldwide, Ogata, who has been in Japan since last week for holidays, told Kono she is concerned about developments in the former Soviet Union, they said.

However, they added, she gave no details of her concerns.

Tokyo To Aid Organizations Assisting Rwanda

OW2012054194 Tokyo KYODO in English 0220 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Japan will disburse a total of 22 million dollars to international organizations to help Rwandan refugees, the Foreign Ministry said Tuesday [20 December].

The aid includes 16 million dollars to the UN High Commissioner for Refugees (UNHCR) and 2.2 million dollars for the International Committee of the Red Cross, the ministry said.

The Japanese aid is aimed at helping the international bodies' humanitarian activities such as protecting the refugees, transporting and distributing aid materials and providing shelter, it said.

The latest aid brought the total amount of Japanese assistance for Rwandan refugees to 65 million dollars.

Japan sent 260 Self-Defense Forces (SDF) personnel to Zaire to help the Rwandan refugees in mid-October. The SDF mission will complete its withdrawal later Tuesday.

Keidanren Calls for Private Cooperation in ODA

OW2012080394 Tokyo KYODO in English 0739 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—A major business organization called on the government Tuesday [20 December] to seek the cooperation of private enterprises and nongovernmental organizations in implementing Official Development Assistance (ODA).

The Federation of Economic Organizations (Keidanren) also called for a study on transferring the government's trade insurance business to private firms and realignment of functions performed by the Export-Import Bank of Japan and the Overseas Economic Cooperation Fund.

"Time has come for the government to change its stance on the implementation of economic cooperation overseas under its own initiative alone," the federation said.

The federation called on the government to study the possibility of increasing grants-in-aid and extending soft loans, including interest-free, and long-term credits.

In order to promote aid to developing nations in a suitable manner, the federation said, it is necessary to incorporate private investment and economic cooperation into the official development assistance.

In this connection, the federation called for closer cooperation between the Export-Import Bank and the overseas economic cooperation fund to avoid duplicated fund distribution. The federation also appealed to the government to formulate an economic cooperation vision for the 21st century.

Nissan To Transfer Truck Technology to PRC

OW2012111294 Tokyo KYODO in English 1058 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Nissan Motor Co. will sign an agreement on Tuesday [20 December] to provide truck cab production technology to China's government-run Nanjing Auto Works, Nissan President Yoshifumi Tsuji said.

Under the seven-year agreement, to be signed in Shanghai, Nissan will provide Nanjing with design engineering and manufacturing engineering materials on standard-width single and double cabs and extra-wide single cabs, as well as die-making technology, according to company officials.

Nanjing, one of the four auto assembly plants under direct control of the Chinese Government, will begin making trucks with Nissan-designed cabs by 1996, aiming at an annual rate of 100,000, the officials said.

Tokyo To Pay 35 Billion Yen in Debts to Taiwan

OW1612091094 Tokyo KYODO in English 0821 GMT 16 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—Japan will pay about 35 billion yen in compensation to settle Taiwanese claims for unpaid postal savings, military service and other debts incurred before and during World War II, a government spokesman said Friday [16 December].

"We decided on a payment in yen some 120 times as large as the face value of the debts left over from Japan's occupation of Taiwan," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

He said the government will announce the details of the repayment plan next Tuesday, when the Finance Ministry will submit its draft to government ministries and agencies.

"We hope these efforts of our government concerning the issue of the debt repayment will win the understanding of the Taiwanese side," Igarashi said.

Taiwan has been asking for compensation of some 7,000 times greater than the face value of the debts.

Before and during the war, Japan forced Taiwanese to deposit part of their monthly salaries into postal savings accounts.

Tokyo estimates it owes money to more than 2.5 million people, all of whom are already quite advanced in age.

Seoul Asks Tokyo To Improve Treatment of Koreans

OW1612112494 Tokyo KYODO in English 1113 GMT 16 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—South Korean officials urged Japan on Friday [16 December] to further improve the treatment of its Korean residents, saying Koreans in Japan could serve as a bridge for the two countries, Foreign Ministry officials said.

The South Korean officials made the call in a meeting at the Foreign Ministry to review implementation of a bilateral memorandum on the treatment of South Koreans residing in Japan.

Yutaka Kawashima, director of the ministry's Asian Affairs Bureau, headed the Japanese team of officials from the Justice, Education and Home Affairs Ministries. The South Korean side was led by Foreign Ministry's Asian Affairs Bureau Director General Yu Byung-wu.

They discussed such issues as the legal status of Koreans, their employment as local government officials and as teachers for public schools, and voting rights, the ministry officials said.

The Japanese side outlined the various measures taken since it signed the memorandum concerning the legal status and treatment of the nationals of the Republic of Korea in January 1991.

South Korea gave a good evaluation to steps taken to increase employment of South Koreans as public servants and teachers, but called for further improvements in suffrage, the officials said.

The Japanese team was quoted as reiterating that it is difficult to give voting rights to Koreans in Japan.

Some 600,000 Koreans live in Japan, most of whom are first-generation Koreans forcibly brought to Japan as conscripted laborers before or during World War II, and their offspring.

The two sides agreed to hold the next meeting in Seoul in 1995. The meeting in Tokyo was the fourth of its kind.

Imported Vehicle Sales To Rise 48.9 Percent

OW2012054394 Tokyo KYODO in English 0303 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Sales of imported vehicles in Japan will surge 48.9 percent to a record of some 300,000 units this year for the second straight annual increase, the Japan Automobile Importers Association said Tuesday [20 December].

The association forecast the upward trend will continue into next year, with sales of imported cars, trucks and buses forecast to gain 15 percent to some 345,000 units.

Analyzing factors behind the upbeat sales for 1994, the association pinpointed decline in prices induced by the yen's sharp appreciation, low-interest auto loans provided by dealers in imported automobiles, and the introduction of models tailored to the Japanese market such as those with right-hand drive.

The projected sales for 1994 comprise 275,000 passenger cars and 25,000 trucks and buses.

Sales of imported vehicles have hit monthly records since January, bringing cumulative sales in the first 11 months of this year up 48.8 percent to 269,568 units.

National Role in Nuclear Disarmament Discussed

952B0044A Tokyo SECURITARIAN in Japanese 1 Sep 94 pp 10-13

[Article by Yuki Imai, former ambassador to the UN Geneva Disarmament Conference: "Security After Nuclear Deterrence"]

[FBIS Translated Text] Role of Disarmament and Nuclear Image

I am speaking of an incident that took place over 10 years ago, but prior to my reporting to Geneva as a disarmament ambassador, while I made the rounds in Tokyo to introduce myself in connection with my pending assignment, I was amazed by a statement by a uniformed officer who said, "Disarmament is an annoyance to us in that it merely poses an obstacle in the budget process."

I was assigned to Geneva just when the U.S.-Soviet disarmament negotiations had climaxed and the newest of nuclear warheads, ballistic missiles, and satellite detection technology became "topics for the disarmament negotiations focused on nuclear strategy which supplanted nuclear war itself"; it was a period when the negotiations took on a desperate tone over the security of both parties, which made me feel chagrin over the lack of awareness in Japan of the nuclear issue.

At that time, I sent an inquiry to Tokyo on the availability of material on Soviet military capabilities, but was sent information from the Defense Agency that was limited to clippings from U.S. professional magazines which I had seen some time before. I then convinced a hesitant foreign mission fiscal officer to provide funds for a contract with a technical consultant in Washington, D.C., to prepare a special report consisting of a compilation of U.S. intelligence reports on nuclear weaponry. At that time, U.S.-Soviet negotiations involved establishment of an upper limit for expansion of nuclear war capabilities and centered on the redeployment of SS-20 Soviet missiles to locations east of the Ural Mountains and it was an object of ridicule that Japan showed no interest in the matter. The United States and the Soviet Union became serious about disarmament as superpowers after entering the 1990's.

Japan as a whole assumes a very disinterested stance in significant contrast to the West European nations where arms control and disarmament were matters of highest priority in security in the 1980's. Japan in those days represented itself and conducted itself internationally as a "member of the West camp," i.e., a part of the military alliance centered on the United States. In reality, whenever I was posted as a special representative for the month, I often performed in Geneva and New York as a "representative of Western nations" in heated arguments with socialist and nonaligned nations. It was during that time that I was amazed by some sources in the Ministry of Foreign Affairs in Tokyo who had the idea that Japan had taken a neutral position and was mediating the situation between the East and West camps. It seemed as if persistence in diplomacy based on the three nonnuclear principles meant, "Accordingly, Japanese merely need to reject nuclear weapons and need not concern themselves with additional pertinent knowledge." In this respect, today's movement to eliminate nuclear weapons seems to have taken on a similar tone.

An Outside Look at Japan

During the past 40 years, Japan has existed while surrounded by nuclear giants such as the United States, the Soviet Union, and China. During those years, in response to U.S. ownership of the atomic bomb, the Soviet Union responded by building its own nuclear arsenal; in the 1950's China's Mao Zedong resolved that the future would be the era of nuclear missiles; and then India acquired its own nuclear weaponry in response to China. Pakistan's ownership of nuclear weaponry was inspired by India, and that situation instigated similar nuclear bomb ownership by Israel and the Islamic forces.

Although the cold war has ended, the overall picture has not changed substantially, in that the intense nuclear missile competition between the United States and the Soviet Union has ended, the main strategic East-West confrontation in Europe is a thing of the past, and the majority of nuclear weaponry has been dismantled, but the six-sided confrontation involving the United States, Russia, China, South Asia, the Middle East, and Western Europe has taken on greater intensity. Localized disputes and the issue of nuclear nonproliferation become intertwined and a similar situation with the Democratic People's Republic of Korea (North Korea), Iran, Iraq, Libya, and South Africa can probably be attributed to the fact that the U.S.-Soviet relationship is no longer the center of focus. Global concern has shifted from the amicable end of the U.S.-Soviet nuclear confrontation to control of existing localized nuclear arsenals and to prevention of the spread of nuclear weaponry to East Asia, Black Africa, and Latin America.

On the other hand, the perspective assumed by many nations of the world in viewing Japan and Japan's own perspective of itself are considerably different. When I was stationed in Kuwait, that nation's defense minister said, "Since your nation produces such wonderful automobiles and electronics, you must own some very spectacular tanks, submarines, and missiles." When I spoke of tanks produced at the Sagami-hara factory and the "Kushiro-class" naval vessels, he said, "I would definitely like to buy some of them and promptly send a purchasing mission to your country," to which I broke into a sweat in an effort to explain our country's three principles on weapons exports. I was told, "You are the first Japanese to reject an offer to purchase your goods." Japan definitely does not export weaponry, but always leads the world in importing high-tech weaponry. Additionally, the fact that Japan is the only nation in the world that consistently increases defense spending is obvious when one views the graph carried at the end of the MILITARY BALANCE magazine published by the International Strategic Research Center. It is possible to explain higher relative costs such as those associated with a strong yen and small-scale manufacturing, but it is quite obvious what an outsider's view of Japan would be based on that graph and it is somewhat amazing that Japanese who are normally so sensitive about foreign views of themselves are so obtuse about this point.

I had a similar experience during my days with the UN Geneva Disarmament Conference. We were engaged in a discussion of the Nuclear Test Ban Treaty when I questioned the other party to the discussion, an ambassador from an African nation, because of a strange reaction, to which he responded, "But, there is no question, is there, that Japan possesses nuclear weapons?" It took me a while to convince him that Japan did not have a nuclear arsenal as I explained our background involving Hiroshima and Nagasaki, the nuclear Non-Proliferation Treaty, and our ranking as an honor student in inspections by the International Atomic Energy Agency [IAEA]. The unceasing global controversy suspecting the "arming of Japan with nuclear weaponry" in connection with the nuclear suspicions associated with North Korea is no doubt an "outrageously groundless suspicion" from the Japanese perspective, but from the generally prevailing global perception of Japan, if a nuclear arsenal were established in the Korean peninsula, which once served as the trigger for the Japan-Russo War, it would be possible to anticipate a reaction by Japan.

For a long time we have acquired the habit of "not thinking about nuclear weaponry" and have assumed that the world would understand our position, but Japan must make an effort to clarify its basic posture on nuclear weapons and take the necessary initiative to make appropriate statements. In essence, Japan must make itself aware of the fact that the three nonnuclear principles are in the final analysis a policy applicable to Japan and not a comprehensive policy that covers the world as a whole. Additionally, it is necessary to mention that we are sorely deficient in our efforts to make the rest of the world understand in foreign languages that prevailing public opinion in Japan rejects nuclear weaponry. Once that step is taken, I see no special need for a nation with a population of 120 million and which controls one-eighth of global GNP to give excuses for taking measures to develop to an appropriate level its Self-Defense Forces, which consist of conventional forces.

Swedish Lesson

We find a fine example in considering Sweden which is located in one corner of Europe and which maintains a fundamental principle of armed neutrality. Immediately following World War II, the defense ministry and Stockholm University engaged in a joint study, developed a plan, and calculated the costs of developing the "ultimate weapon" using domestically produced uranium. The results of the study were published and later in 1967 and 1980 served as a basis for a UN report on nuclear weaponry. The original study indicated, "The next world war will engulf the United States and the Soviet Union in a large-scale nuclear clash, and there will be no role to be played by the Scandinavian peninsula." It continued, "Swedish nuclear armament would be cost prohibitive and meaningless," resulting in cancellation of the development program.

In lieu thereof, Sweden took the lead in developing methods for detecting underground nuclear tests through seismic wave technology, took positive action in assuming world leadership in the area of nuclear disarmament, founded the Stockholm International Peace Research Institute (SIPRI) as part of the 150th anniversary of the founding of Sweden in 1967, and decided to provide annual government funding for international research on armaments, peace, and disarmament. Swedish Government policy calls for the delegation SIPRI management to an international board of governors and Swedish government funding of the SIPRI, but no interference from the Swedish Government. The fact that Swedish individuals have served as the first chief of the UN Disarmament Center, IAEA administrative bureau chief, and the UN Iraq Special Committee is a reflection of Sweden's accomplishments in this area.

On the other hand, the Swedish Air Force has developed a domestic fighter plane called the Gripen to replace the Viggen "to demonstrate its position of armed neutrality." However, this is a fiscally very costly project. Further, a segment of the Swedish defense forces reportedly undergoes regular training and maintains readiness for immediate deployment on PKO [peacekeeping operations] missions. It is certainly true that circumstances differ between a North European nation of 8 million and Japan, but the positive Swedish nonnuclear policies should serve as worthwhile reference even in the future.

End of the Cold War and the Future of U.S.-Soviet Military Nuclear Deterrents

The U.S.-Soviet nuclear armaments race intensified from the latter half of the 1970's to the 1980's. The Afghanistan invasion brought an end to detente and prompted President Reagan to call the Soviet Union the "Evil Empire" in 1983, which was also the year in which he made the speech on "Star Wars." The widely publicized dual decision made by NATO led to the deployment of U.S. ground-launched cruise missiles (GLCM) to Italy and Belgium and 108 units of the precision-guided medium-range ballistic missile Pershing-II to West Germany, and the episode at Geneva in November 1983 during negotiations with U.S. Representative Paul H. Nitze wherein Soviet Ambassador Kupicenskiy kicked his chair as he stood up.

In those days, U.S. and Soviet annual military expenditures reached the \$300 billion range which in the case of the Soviet Union was most likely 15 to 20 percent of its GNP. If that kind of military spending persists for several years, it will bankrupt a nation's economy. When Mikhail Gorbachev assumed office as the general secretary of the Soviet Communist Party, he discovered that the nation's economy faced bankruptcy. Even the United States had reached a stalemate under Reaganomics, and in November 1985 at a Geneva summit, both U.S. and Soviet leaders issued the famous joint communique, "There are no winners in a nuclear war and such a war must never be fought."

Subsequently, the situation changed very rapidly. Powerful mobile medium-range nuclear SS-20 and Pershing-II missiles were identified for total destruction, long-range nuclear missiles were set for a 50-percent reduction by 1991, and in 1993 after the collapse of the Soviet Union, the START-II Treaty was signed, calling for each side to reduce its nuclear warheads to about 3,000. The long-pending plan calling for mutual reductions in European conventional forces was also agreed to and the so-called Helsinki process providing for confidence-building measures (CBM) became the core of European discussions.

Outstanding issues awaiting action include: 1) How to ensure that all parties concerned will participate in political agreements reached in an effort to implement promises made under the U.S.-Soviet nuclear disarmament program. 2) Estimates of the time needed to disarm over 20,000 nuclear weapons on both sides exceed 10 years and decisions must be made on the technical procedures to achieve that goal safely and without accidents and on the huge funding needed. 3) Questions remain about the 3,000 nuclear weapons to be held in the year 2003 in terms of basic strategy and the size of the weapons industry necessary to provide in-storage maintenance and to maintain the reliability of nuclear weapons as well as whether the nuclear industry can be reduced in size at that point. 4) A count of 3,000 nuclear weapons still means that the two sides will have nuclear weapons in a quantity one degree greater than that possessed by Great Britain, France, and China and two degrees more than that possessed by Israel, India, and South Africa. The question is, how will we get other nations to fall in step with the overall nuclear disarmament program? 5) All of the preceding issues involve the erstwhile, traditional disarmament themes such as Nuclear Test Ban Treaty, suspension of production of nuclear materials used in weaponry, and prohibition against preemptive use of nuclear weapons.

Of special note is that a meeting about topics listed under item 5 above will be held in New York in the spring of 1995, will serve as a forum for voting on the question of extending the nuclear Non-Proliferation Treaty (NPT); sponsoring that vote will be important for predicting how the nonaligned nations will vote on related issues in the future. This situation arose from provisions in Paragraph 2 of Article 10 of the NPT, which states, "A majority vote by member nations at a meeting held on the 25th anniversary of the treaty will determine whether the treaty will be extended indefinitely or for a specified period," and Article 6, which states it is the obligation of nuclear weapons-owning nations to faithfully engage in nuclear disarmament negotiations. Preliminary negotiations on a total ban on nuclear testing were initiated in Geneva in January 1994, but, on the other hand, China conducted nuclear tests last fall and this spring, but complicated the situation with its support of test bans after 1996.

The START Treaty has not been ratified because Ukraine, which has become a real possessor of nuclear

weapons, has not solidified its posture on the issue. Nuclear weapons are structured primarily so that high-purity plutonium is wrapped with high explosives which could lead to widespread plutonium contamination if improperly handled. Disarming nuclear weapons requires that experts handle the work at factories where final assembly was carried out, and the capacity for disarming weapons at such factories is estimated to be a maximum of 2,000 units a year. Long-term storage of nuclear warheads in a way that safeguards them from terrorists and hijackers is not an easy task.

The smallest known nuclear weapon is the U.S. Army's 155-mm shell, which measure 15 cm in diameter and 85 cm in length and weighs 43 kilograms with two kilotons of destructive power equal to one-seventh of the bomb dropped on Hiroshima, which means that a plot in a novel depicting the smuggling of such a weapon into a major metropolitan area in a suitcase is not necessarily an inane story. The potential risk of nuclear proliferation associated with the disarming of nuclear weapons is a very serious issue if we consider that over 2,000 individuals in both the United States and Russia will be losing their jobs as nuclear weapons technicians.

On the other hand, for the time being, both the United States and Russia have altered the targets for their intercontinental ballistic missiles so that they reportedly will not reach the former target countries, but fall into the ocean. And, as for the 3,000 remaining nuclear missiles held by both sides, answers to such questions as whether to use them for preemptive strike purposes aimed at the opponent's nuclear missiles or for restraint purposes by aiming them at the opponent's urban and industrial areas for reprisal strikes have apparently not been determined under new U.S. and Russian strategic doctrine. Decisions on building surveillance satellites and large-scale phased radar as components of command and control systems still await decisions on basic strategy and will probably remain frozen for the time being.

Japan's Role

The effective possession of nuclear weapons requires so-called weapons-class plutonium with a Pu-239 component purity rate of 93 percent. Many Americans take issue with the fact that Japan possesses reactor-class plutonium, but this appears to be based on the lack of technical knowledge.

Unlike North Korea and Iran, which attempt to create controversy by attempting nuclear blasts, any meaningful nuclear arsenal by a country like Japan will require at least 300 highly reliable nuclear warheads installed on long-range missiles supported by target acquisition capabilities supported by satellites in order to be of strategic significance.

Japan has no capability whatsoever to produce weapons-class plutonium on a volume basis. The U.S. Defense Department is probably most knowledgeable of the degree of difference in capabilities between the H-2

rocket at Tanekojima and the ICBM and the fact that Japan has no experience in producing high-powered submarine-mounted light-water reactors controlled by moving reflector material using highly-enriched uranium flat fuel rods. These facts were effectively used during the debate on ratification of the NPT in 1975 to convince the then-hawks, and the same set of circumstances remains valid to this day.

Not only are nuclear arms in violation of the law and are to be rejected as a matter of policy in light of our experience at Hiroshima and Nagasaki, but their production is technically impossible. Not only must this fact be made a matter of widespread awareness domestically, it must also be explained clearly internationally; this is probably the most important first step that Japan must take relative to its role in establishing nuclear order in the post-cold war period.

Japan should provide more active aid to the disposition of the 40,000 nuclear warheads that the United States and Russia have decided to disarm under the START Treaty. If trouble should arise during the more than 10 years required to disarm those warheads, we could possibly see nuclear proliferation and disorder with the attendant repercussions which could far outweigh any disaster associated with a single nuclear explosive device detonated by Iran or North Korea.

If Japan intends to play a responsible role in ensuring the peace and security of the entire world, it should take the initiative in collaborating with the liquidation of the effects of the U.S.-Russian cold war. This "collaboration" can take the format wherein Japan would not acquire technical know-how on nuclear weaponry, but where it cooperates on a broad spectrum such as non-proliferation, prevention of terror, and the effective use of plutonium as an electric power-generation fuel and where its contribution can far exceed the capabilities of the IAEA as an inspection agency.

Japan's role in disarming nuclear weaponry was discussed in April 1993 at an international seminar held jointly in Tokyo by the World Peace Research Center and Harvard University's "Science and International Politics Center." This seminar followed the first seminar held at Harvard University in December 1992 and consideration is now being given to the possibility of opening a third seminar in Russia or thereabouts in the summer of next year.

Information on the international seminars of 1992 and 1993 can be found in *Disarming Nuclear Weapons* by Yuki Imai and Seizaburo Sato (published by Denryoku Shinposha, 1993).

The question of what should be done in reference to nuclear order after the cold war should be discussed on a wide-ranging basis and it must first lead to an indication about what Japan should do in specific terms. We have already passed the age when it was acceptable for Japan alone to observe the NPT. Japan must think in terms of

how it will lead the nonaligned nations during the coming 1995 conference on extending the NPT, and now is the time for Japan to develop and execute specific plans. Setting aside journalistic interest, U.S. and IAEA actions on the North Korean nuclear suspicion should probably be viewed by Japan from a more objective, distanced, broad-based, and rational basis.

Business, Labor Groups Urge Action on Yen

*OW1612121194 Tokyo KYODO in English 1157 GMT
16 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—Major business and labor groups urged the government Friday [16 December] to revamp the nation's economic structure to rectify the yen's upward trend and stem the tide of deindustrialization.

Takeshi Nagano, head of the Japan Federation of Employers Associations (Nikkeiren), and Teruhito Tokumoto, president of the Japan Council of Metal Workers Unions, made the joint pitch in a petition submitted to Prime Minister Tomiichi Murayama.

The two groups pressed a demand that the government include steps to tackle the high yen and the hollowing-out of industries in the budget for fiscal 1995 starting next April 1, according to the petition.

They also urged the government to present a clear-cut policy to slash Japan's current-account surplus, which is projected to total a huge 13.8 trillion yen for the current fiscal year.

To drive down sky-high prices of goods and services, the groups strongly called for correction of their differentials at home and abroad.

They also asked the government to review allocations for a new 10-year public works spending program, the paper showed.

The program, approved by the cabinet in October, calls for 630 trillion yen from fiscal 1995 to 2004 for plans centering on social infrastructure and welfare facilities.

Space Industry To Buy Foreign Parts for H-2 Rocket

*OW2012015194 Tokyo TOKYO SHIMBUN in
Japanese 10 Dec 94 p 3*

[FBIS Translated Text] While parts that will be procured from abroad include such general apparatus parts as pressure and temperature sensors, which are used in foreign rockets, key parts to be equipped in Japan's H-2 rocket are expected to continually be supplied by Japanese firms. For example, Mitsubishi Heavy Industries Ltd., which is studying the replacement of nearly 10 apparatus parts, which includes electronic devices, is negotiating with European and American producers.

The total cost of manufacturing an H-2 fuselage and launching the rocket amounts to approximately 19 billion yen [Y], nearly twice the cost of the Y9 billion French "Ariane" rocket. In this way, Japan lags far behind other industrial nations in price competitiveness, thereby hampering Japan from gaining access to the space business, which includes the launching of commercial satellites.

Therefore, the National Space Development Agency of Japan [NSDAJ] and several aerospace makers plan to cut their total cost by 30 percent by 1998, when the H-2 No. 7 will be launched. They plan to start broad-ranging cost-cutting efforts next April, which will include design and manufacturing costs.

On 9 December, according to a source concerned with the Japanese space industry, the NSDAJ and several aerospace makers such as Mitsubishi Heavy Industries Ltd. decided to procure parts from abroad for the H-2 rocket, a large-type rocket that Japan developed with its own technology. This plan is aimed at reducing the cost of manufacturing the H-2 rocket. They plan to begin purchasing foreign parts as early as next year for the H-2 rocket No. 5, which will be manufactured next year.

They have decided to procure foreign parts as part of their plans to take advantage of the appreciated yen. Prices of some foreign parts are less than one-fifth of the cost of domestic parts.

MOF's Draft Budget Posts 1st Drop in 40 Years

*OW2012060594 Tokyo KYODO in English 0536 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The Ministry of Finance on Tuesday [21 December] proposed an austere draft budget for fiscal 1995, posting the first decline in 40 years under continuing tough tax revenue conditions.

The draft general account budget for fiscal 1995 starting next April totals 70,987.12 billion yen, down 2.9 percent from the initial fiscal 1994 budget, marking the first decline since the 0.8 percent fall in 1955.

General-operating expenditures—the core spending in the general account—are set at 42,141.74 billion yen, up 3.1 percent from the 40,854.84 billion yen in the initial fiscal 1994 budget.

The real growth in the expenditures, however, will be smaller than the 2.3 percent rise in fiscal 1994 after discounting special factors, such as expenses for the upper house election which is held every three years and a census which is conducted every five years, making the growth equivalent to about 2.2 percent.

The ministry tried to make up for a gap in government expenditures and revenues through so-called "invisible debt" or makeshift measures worth about 6 trillion yen, ministry officials said.

As justified by the Fiscal System Council, an advisory panel to the finance minister, such makeshift measures are inevitable amid still-low levels of tax revenues to avoid issuing deficit-covering bonds, which may lead to further deteriorating fiscal conditions, the officials said.

The draft budget suggests a government policy turnaround from economy-supporting spending to securing "sound" fiscal conditions.

Nevertheless, the ministry plans to issue 12.6 trillion yen in government bonds, including stopgap deficit-covering bonds for the second straight year to finance tax cuts, and will continue with high growth in public works outlays in an effort to keep propping up the economy.

Government ministries and agencies will start renegotiating with the Finance Ministry on Wednesday in a bid to revive their requests over the restoration of some 100 billion yen.

Prime Minister Tomiichi Murayama's cabinet is scheduled to adopt a budget framework for fiscal 1995 Sunday, including allocations of 300 billion yen in the public investment budget for policy-priority projects.

The draft budget will then be submitted to an ordinary Diet session slated for mid-January, with the aim of getting it approved within March.

The ostensible size of the draft budget has swollen for two years in a row by about 2.2 trillion yen through an account manipulation, which inflates the scale of the national budget to conceal what it actually is.

After discounting such surface growth, the fiscal 1995 draft budget posted a puny 0.3 percent rise at 68,769.7 billion yen on a real ability basis, they said.

The ministry allowed outlays for public works projects to grow 4.0 percent from the initial fiscal 1994 budget to 9,342.3 billion yen and those for social security to rise 3.1 percent to 13,892.9 billion yen.

Defense expenses grew 0.855 percent to 4,723.6 billion yen, posting the lowest growth since fiscal 1960 when defense expenditures marked a 0.6 percent yearly rise.

Expenses for Official Development Assistance (ODA) posted a record low 3.2 percent increase at 1,098 billion yen, compared with a 4.8 percent yearly growth in the initial fiscal 1994 budget.

The ministry reduced expenses for debt servicing to 13,221.3 billion yen from 14,360.2 billion yen in fiscal 1994 partly by suspending annual fixed-rate transfers from the general account to the special account for redemption of government bonds issued in the past and by postponing debt payments.

Grants to local governments grew 3.6 percent to 13,215.4 billion yen for the first gain in four years

As part of makeshift measures to reduce expenditures, it also postponed due repayments worth 566.3 billion yen to make up for a current account shortage posted in fiscal 1993.

As for revenues, the ministry estimates tax revenues in fiscal 1995 at 53,731 billion yen, up a tiny 0.1 percent rise from the 53,665 billion yen in the initial fiscal 1994 budget.

The ministry plans to issue 12,598 billion yen in government bonds—9,746.9 billion yen in construction bonds, the maximum limit under present law, and 2,851.1 billion yen in stopgap deficit-covering bonds to finance tax cuts—with the bond dependency ratio or the percentage of bond issues to total revenues standing at 17.7 percent.

Consequently, the balance of outstanding government bonds is expected to reach some 212 trillion yen at the end of fiscal 1995, equivalent to about 43 percent of the nation's gross domestic product.

The ministry will also secure nontax revenues of 4,485.58 billion yen, including "invisible debts" of additional receipts worth 350 billion yen from the foreign exchange fund special account and 310 billion yen receipts from the state-run mandatory automobile insurance special account.

Further on Planned Cuts

OW2012070694 Tokyo KYODO in English 0541 GMT
20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The government Tuesday [20 December] adopted a supplementary budget for fiscal 1994, slashing its initial budget by 673.45 billion yen to 72,408.22 billion yen in line with lower tax revenue estimates.

The extra budget, decided at an extraordinary cabinet meeting, earmarks new expenditures worth 1,331.65 billion yen, mainly for farm measures, while cutting fixed and other outlays by 2,005.10 billion yen.

The budget reduction stems from lower revenue estimates worth 2,260.21 billion yen, largely due to a 2,247 billion yen lower estimate in tax revenues, including 294.0 billion yen in income tax cuts. This exceeded additional revenues of 1,586.76 billion yen.

The new revenues include an increase worth 1,257.00 billion yen in government bond issuance—1,057.10 billion yen in construction bonds and 199.90 billion yen in stopgap deficit-covering bonds to finance tax cuts.

For spending cutbacks, the government is to reduce fixed expenses by 1,086.06 billion yen, tax grants to local governments by 719.04 billion yen and budget reserves by 200 billion yen.

New expenditures include 627.40 billion yen as part of a six-year 6.01 trillion yen agricultural package to assist

farmers affected by the market opening under the Uruguay Round global trade agreement, and 149.96 billion yen in grants to housing-related public corporations.

Meanwhile, the government decided to add 360.4 billion yen to its initial investment and loan program worth 47,858.2 billion yen in fiscal 1994.

The additional program earmarks 312.1 billion yen to the Japanese National Railways Settlement Corp. as a technical allocation in line with a makeshift measure taken in the national general account budget.

Otherwise, the additional outlays are chiefly for agricultural measures decided by the government to help farmers.

FY95 Budget Shows 'Unhealthy Fiscal Condition'

*OW2012041094 Tokyo KYODO in English 0331 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Finance Minister Masayoshi Takemura said Tuesday [20 December] the expected negative budget growth for fiscal 1995 represented Japan's "unhealthy" fiscal condition.

Takemura said at a press conference after a regular cabinet meeting, "Makeshift measures cannot be said to be healthy when working to compile and balance the budget for fiscal 1995."

Japan's general account budget totaling 70,987 billion yen for fiscal 1995 which starts April 1 will show the first decline from the year before since 1955, Takemura said.

The finance minister stressed the need for deep determination to secure "sound" finance from medium- and long-term points of view for future generations.

Takemura also said government bond issues worth 12.6 trillion yen for fiscal 1995 are not sound, with the bond dependency ratio, or the percentage of bond issues to total revenues, standing at 17.7 percent.

Given a 70 trillion yen budget, 5 percent or 3.5 trillion yen's worth of construction bond issues would be sound, he said.

Out of the 9.7 trillion yen construction bond issues for fiscal 1995, some 6 trillion yen can be construed as makeshift measures, Takemura said.

Politicians should be fully aware of the considerable amount of government bond issues as temporary measures, Takemura said.

More on Takemura Statement

*OW2012071494 Tokyo KYODO in English 0701 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Finance Minister Masayoshi Takemura said Tuesday [20 December] that planned cutbacks in expenditure for the

fiscal 1995 budget were limited due to strong demand for economy-supporting spending.

Takemura said at a press conference after an extraordinary cabinet meeting, "we don't get full marks for curtailing expenditure." But the draft budget shows that expanding expenditure in areas like social welfare and education has been sharply reduced, while that for agriculture limited to new businesses, Takemura said.

At the cabinet meeting, the government approved the Finance Ministry's draft budget for fiscal 1995 starting April 1, the tax reform package for the year and the supplementary budget for the current fiscal year.

"Under severe fiscal conditions, we could not help taking makeshift measures in order to maintain our policy of not issuing deficit-covering bonds," Takemura said. The draft general account budget totaling 70,987 billion yen for fiscal 1995 shows the first decline from the year before since 1955.

Takemura said the draft budget is a step toward efficient and concentrated budget compilation through strict screening. Further positive efforts will be needed to reduce expenditures in the future, however, as fiscal conditions are expected to become increasingly difficult, Takemura said.

Hashimoto Says MITI Budget Aimed at Restructuring

*OW2012075794 Tokyo KYODO in English 0737 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The fiscal 1995 draft budget appropriated for the Ministry of International Trade and Industry (MITI) is intended to promote economic and industrial restructuring in Japan, MITI chief Ryutaro Hashimoto said Tuesday [20 December].

At a news conference, Hashimoto said the MITI budget for next year is also aimed at salvaging small companies most likely to be affected under industrial restructuring.

"I will work hard so that MITI can secure the necessary funds in coming negotiations for winning adjustment money toward the government's budget compilation next Sunday," Hashimoto said.

The Finance Ministry on Tuesday compiled the draft budget for the next fiscal year starting in April. The ministry earmarked 50 million yen for smoothing business conversion and other corporate restructuring efforts. The fiscal 1994 budget did not have such a budget category.

In the fiscal 1995 draft budget, the Finance Ministry also appropriated 225.3 billion yen for assistance to small companies, up 6.6 percent from the original fiscal 1994 budget.

24.6 Billion Yen Reparation Program Decided

*OW2012131394 Tokyo KYODO in English 1254 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Japan decided Tuesday [20 December] to spend some 24.6 billion yen as part of the fiscal 1995 state budget to finance programs aimed at expressing repentance for its victimization of Asian neighbors during World War II.

Included is an 8.2 billion yen program to promote peace and friendly relations with Asia and a 500 millions [word indistinct] express apologies and remorse for the forced recruitment of Asian women into sexual servitude before and during the war, officials said.

The government also decided to earmark some 150 million yen to support repatriation of Koreans stranded on the Russian island of Sakhalin after the war and 15.8 billion yen to settle Taiwanese claims for unpaid postal savings, military service and other debts incurred before and during the war.

The financing will support programs unveiled by Prime Minister Tomiichi Murayama on Aug. 31 to settle the issue of war reparations starting next year, which marks the 50th anniversary of the end of World War II.

The schemes were revealed Tuesday, when the Finance Ministry submitted the draft budget for fiscal 1995 starting April 1 to government ministries and agencies.

"We can safely say that we have taken fiscal measures to carry out the programs shown in the premier's statement," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

The 8.2 billion yen is an initial appropriation for a planned "peace, friendship and exchange initiative," a 10-year program to promote historical research and support researchers.

The initiative also aims to encourage dialogue and mutual understanding through intellectual and youth exchanges between Japanese and peoples in neighboring Asia.

The 500 million yen is intended to express Tokyo's remorse for its forced recruitment of up to 200,000 Asian women, mostly Koreans but also Filipinas, Indonesians, Chinese and Dutch, as "comfort women" for Japanese soldiers.

On the repatriation of Koreans left on the Russian Far East island of Sakhalin, the government will include about 500 million yen in the supplementary budget for fiscal 1994.

Tens of thousands of Koreans were forcibly taken to Sakhalin, the southern half of which was under Japanese colonial rule from 1905 until the end of the war in 1945. The Koreans were left behind when the island later came under the rule of the former Soviet Union.

Concerning Taiwanese demands for repayment of war-time debts, Japan decided on a payment in yen some 120 times more than the face value of the debts left over from Japan's occupation of Taiwan. Taiwan has been asking for compensation of some 7,000 times the face value.

Before and during the war, Japan forced Taiwanese to deposit part of their monthly salaries into postal savings accounts. Tokyo estimates it owes more than 2.5 million people, all of whom are already considerably advanced in age.

Sakutaro Tanino, chief of the councillors' Office on External Affairs at the Prime Minister's Office, told a news conference that repayment will begin in summer and be completed in five years.

Record Low Increase in ODA Budget Proposed

*OW2012063194 Tokyo KYODO in English 0604 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The Finance Ministry, citing severe financial constraints, proposed Tuesday [20 December] a record low increase of 3.2 percent in the Official Development Assistance (ODA) for fiscal 1995 draft budget, earmarking some 1.09 trillion yen.

The rate of increase in the draft ODA budget, submitted to the cabinet earlier in the day, is the lowest ever, undercutting a 4.8 percent boost in the previous fiscal year.

The coalition cabinet headed by Prime Minister Tomiichi Murayama is scheduled to adopt the government's budget proposal Sunday after ministries and agencies stage a bout of renegotiations over the budget draft in a final bid to revive their original requests.

Finance Ministry officials said although they support promoting Japan's international contributions, domestic and international situations forced the low rise in the ODA increase.

On the domestic scene, the officials cited tight financial conditions and the need for a balance with other financial demands as the reasons for the low increase.

Internationally, Japan has already reached a high level of foreign aid, being the world's top ODA donor for three consecutive years in 1993, the officials said, while adding that other major donor countries are reducing their aid.

There are also limits to the aid recipient countries' capability to absorb a large amount of aid, the officials said.

They also said although the growth in the ODA budget is lower than the previous year, the ODA expenditures will grow sizably in dollar terms because of the yen's appreciation.

The yen's exchange value has risen to about 100 yen to a dollar from 106 yen on which the ODA budget was calculated in fiscal 1994.

The Foreign Ministry sought a 7.8 percent rise in ODA spending in its budgetary request for fiscal 1995.

The Foreign Ministry claims that a high growth rate is necessary to accomplish its five-year ODA target for fiscal 1993-1997 totaling 70-75 billion dollars.

Highlights of the draft ODA budget is the doubling of the budget for small-scale "grass-roots" grant-in-aid to 3 billion yen, and an increase in subsidies to help nongovernmental organizations (NGOs) 760 million yen, the Finance Ministry officials said.

The hikes in those areas are necessary to achieve a "visible and a truly effective" ODA, they said.

The ministry also proposed 1.16 billion yen for programs to promote exchanges between Japan and Asia on the 50th anniversary of the end of World War II.

The decade-long 100 billion yen project, which is scheduled to begin in fiscal 1995, was announced by Murayama last summer to express Japan's remorse over its role in the war.

The ministry also allocated a total of 200 million yen to tackle new areas for foreign aid, such as population, women's roles and AIDS.

Draft Budget Holds Defense Growth at 35-Year Low

OW2012062394 Tokyo KYODO in English 0557 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Selective weapons cuts, a high yen and retirement deferral helped the Finance Ministry hold Japan's fiscal 1995 military spending to a 35-year low growth rate in the draft budget issued Tuesday [20 December].

The draft for the year starting in April, approved at an extraordinary cabinet meeting, raises the defense budget 0.855 percent, the lowest rate since fiscal 1960, to 4,723.6 billion yen.

It includes a 6.5 percent cut from the initial fiscal 1994 budget in front-line weapons, such as tanks and jet fighters, to 825.0 billion yen on a contract basis.

But in addition to actual cuts, a ministry official cited the yen's steep rise and a Defense Agency plan to raise the retirement age for field officers as major factors in curbing military spending.

"Based on the international situation after the East-West Cold War and the increasingly serious fiscal circumstances, we have appropriated the expenditures necessary to maintain effective and moderate defense capability," the ministry said.

Military spending is up 40.0 billion yen from the fiscal 1994 initial budget but down 3.3 billion yen from the Defense Agency's request, which was capped by a 0.9 percent growth ceiling, agreed by the three parties of the ruling coalition in July.

Despite the political theater of socialist Prime Minister Tomiichi Murayama calling for disarmament and Liberal Democratic Party members siding with the Defense Agency to hold the line on cuts, the defense budget does not reveal deep wounds from the budget ax.

Indeed, as a proportion of gross national product, the draft defense budget, at 0.949 percent, is a hair higher than the 0.948 percent of fiscal 1994.

The yen's rise, which reduces costs in yen terms for overseas purchases, saved 6-7 billion yen and the raising of retirement ages by one year for colonel-class officers saved 7.4-7.5 billion yen, while the agency's 11.8 billion yen request for U.S. military bases was raised to 24.3 billion yen, a Finance Ministry official said.

The ministry budget official, who spoke on condition of anonymity, noted that final budget details must be worked out in "revived negotiations," when ministries and agencies seek to reclaim some spending before the government adopts its budget proposal Sunday.

The Defense Agency sought and received two next-generation, multipurpose aircraft, dubbed "UX," for 7.2 billion yen after the agency provoked controversy by opting for the U.S.-made Gulfstream over a French craft without public input.

The ministry also got approval for one 32.6 billion yen Patriot Missile firing unit, another ministry official said. A unit comprises five mobile launchers, a phased-array antenna, 20 missiles and a radar vehicle.

And of the weapons systems listed in a ministry briefing, the only two down from last fiscal year's levels were ones that the agency did not seek this time—the P-3C antisubmarine patrol plane and the Boeing E-767 AWACS [Airborne Warning and Control System] reconnaissance plane.

The agency's request for Type-90 tanks for the Ground Self-Defense Force was cut by one to 20, to the same number as last fiscal year, that for 155 mm Howitzers was cut by two to 24, also the same as fiscal 1994, and the request for antitank helicopters was cut by two to two, also the same as last fiscal year.

For the Marine Self-Defense Force, the agency's request for eight SH-60J antisubmarine helicopters was cut to six, but that was one more than fiscal 1994.

Official: Streamlining Needed

OW2012123494 Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Dec 94 Morning Edition p 11

[FBIS Translated Text] Kentaro Aikawa (president of Mitsubishi Heavy Industries, Ltd.), chairman of the

Society of Japanese Aerospace Companies, Inc., held a news conference on 19 December and made comments in reaction to cuts in defense spending on front-line equipment. He said: "Cutting defense spending on front-line equipment will have a serious impact on Japan's aerospace industries, as 74 percent of their total annual production is geared toward defense needs." Regarding the decision made at a meeting between the finance minister and Defense Agency director general to increase the defense budget for FY 1995 by 0.855 percent over the previous fiscal year, Aikawa stressed the need for aerospace companies to make efforts to help themselves, saying: "It is not a matter for industrial circles to unilaterally ask for increased defense spending."

Regarding the question of how aerospace companies should respond if defense spending were to continually decrease for a long period of time, Aikawa said: "The matter is left up to each company's judgment." He thus indicated that some companies may have to further restructure themselves.

10-Year Low for Investment Program Noted

*OW2012070494 Tokyo KYODO in English 0550 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The Finance Ministry marked a 10-year low in growth for the fiscal 1995 investment and loan program in a draft plan issued Tuesday [20 December] to address tough fund resource conditions.

The draft plan, approved at an extraordinary cabinet meeting, earmarks 40,098.0 billion yen for the ordinary investment and loan program for fiscal 1995 beginning April 1, up a scant 1.8 percent from the original program in fiscal 1994.

The figure represents the tightest program since a 1.2 percent decline set in fiscal 1985, and underscores a policy turnaround from the economy-boosting programs seen over the past three years.

Growth in the initial ordinary investment and loan program budget was 10.8 percent in fiscal 1992, 13.4 percent in fiscal 1993 and 7.7 percent in fiscal 1994.

In line with the government's budget policy adopted Monday, the ministry focused on "concentrated and efficient distribution to secure stable economic growth and to improve quality of living" as the population rapidly ages, a ministry official said.

He cited relatively high growth maintained for projects and lending related to housing, smaller businesses and welfare.

The investment and loan program, widely known as "the second national budget" and "zaito" in Japanese, uses funds derived primarily from state-run postal savings and pension funds to invest and extend loans mainly for housing, public works and other projects by public corporations.

The ordinary investment and loan program budget is the core of the overall program, excluding a portion allocated for cash management.

The ministry earmarked 48,268.0 billion yen for the overall investment and loan program, up 0.9 percent from the initial fiscal 1994 program, comparing with a 4.6 percent growth in the current year's initial program from the previous year.

Given the draft program, related government affiliates will begin renegotiating with the Finance Ministry to revive their budget requests before the government decides on a program framework Sunday.

Explaining the lower allocations, the official said the rise in the major resource of postal savings was at about 5 percent to 6 percent, far lower than the high program growth secured in the past three years.

The fiscal 1995 draft plan marks a low growth but the program scale is already large after three years of strong growth, and is considered enough to underpin the economy, which is slowly starting to recover, the official said.

Among major investment and loan program expenditures, the ministry allotted 11,923.4 billion yen for housing-related projects, securing a relatively high growth of 14.8 percent to meet strong demand for public housing loans in the investment category. But it compares with a 25.0 percent growth in the initial 1994 program.

A robust rise of 4.9 percent was kept for lending and other programs to help smaller companies still struggling from the just-ended economic slump, totaling 6,287.6 billion yen. This is still down, however, from a 10.4 percent initial growth in fiscal 1994.

Reflecting the government's policy to spend relatively ample funds in areas related to the aging of society, the ministry earmarked 8,574.0 billion yen, up 7.9 percent, to local public organizations and local public financial institutions as a way to improve livelihood-related social infrastructure.

The ministry also allocated 337.2 billion yen for the Social Welfare and Medical Service Corp., up 33.9 percent, for projects and lending under a new 10-year "gold" plan the plan in intended to cover care, health facilities and social centers for the aged.

Meanwhile, the ministry allowed for new lending schemes to facilitate development of new businesses and to back up labor measures under the government's ongoing discussions to cope with a "hollowing-out" of the Japanese industry as more companies shift production overseas.

Among major cutback items, outlays are down 8.0 percent for the Japan Development Bank and 6.5 percent for the Export-Import Bank of Japan.

The official said their scale is already sufficient to meet demand under the current economic state.

The ministry slashed allocations to road-related corporations by 14 percent to 20 percent, with big projects expected to run their course in the current fiscal year, the official said.

Opposition Parties Criticize MOF's Draft Budget

OW2012122794 Tokyo KYODO in English 1214 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Opposition parties Tuesday [20 December] criticized the budget draft proposed by the Ministry of Finance [MOF] for fiscal 1995.

"It is a half-hearted attempt that puts priority on keeping the current coalition in power. It shows that the government lacks willingness and vision to carry on taking power," said Kansei Nakano, head of the Committee for Policy Affairs of Shinshinto (New Frontier Party).

Nakano also criticized the budget's allocation for defense, saying discussions were not held on what Japan's defense policies should be.

"The public cannot trust such an irresponsible government to make decisions on its defense," he said. He described the reduction in defense outlays as merely an "outward" gesture to make the Social Democratic Party look good.

Kensho Sasaki, head of the Japanese Communist Party's Committee for Economic Policies, also expressed displeasure with the defense budget.

"Despite announcing lower defense spending, expenditures have actually been increased by 40 billion yen, and a big jump is seen in the spending for supporting the U.S. Armed Forces in Japan. This budget pleases the United States and enriches business leaders, while making light of the public," Sasaki said.

Business Community Approves Draft Budget

OW2012102594 Tokyo KYODO in English 1001 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The business community largely approved of the fiscal 1995 draft budget prepared by the Ministry of Finance on Tuesday [20 December].

Shoichiro Toyoda, chairman of the Federation of Economic Organizations (Keidanren), said he appreciates the program because it takes into account the importance of structural reforms in the domestic economy and consolidation of social infrastructure.

Kosaku Inaba, chairman of the Japan Chamber of Commerce and Industry, stressed the need for the government to manage economic policy to ensure recovery, the most important task in the new year.

Takeshi Nagano, president of the Japan Federation of Employers Associations (Nikkeiren) and Tatsuro Toyota, president of the Japan Automobile Manufacturers Association, welcomed the government's stance of putting priority on appropriations for public works projects and other measures for expansion of domestic demand.

Masaru Hayami, chairman of the Japan Association of Corporate Executives (Keizai Doyukai), however, criticized appropriations for new bullet train lines without appropriate consideration to revenues and profitability. He also criticized the Finance Ministry's move to keep government debts hidden.

Kentaro Aikawa, president of the Society of Japanese Aerospace Companies, and Isao Yonekura, chairman of Itochu Corp., expressed disappointment at a reduction of allocations for defense and official development assistance.

Auditor Says 14 Billion Yen Wasted or Misused

OW1612080294 Tokyo KYODO in English 0707 GMT 16 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—Japanese Government spending worth a total of 14.15 billion yen in fiscal 1993 was either a waste of money or was used for dubious purposes, the Board of Audit said in an annual report released Friday [16 December].

The report, submitted to Prime Minister Tomiichi Murayama, said taxes were misused in 256 cases involving 10 ministries and agencies and 16 government-backed special organizations.

Of the total sum, 5.71 billion yen in some 200 cases was described in the report as a waste of money, while the remainder concerned irregularities such as collecting smaller amounts of taxes or insurance premiums than required, or sheer embezzlement.

The total amount of misused funds represents a 1.51 billion yen increase from the previous year's 12.64 billion yen, although the number of cases involved declined by 16.

Particularly notable were simple mistakes such as lack of double-checking, indicating that government accounting procedures remain sloppy.

The Health and Welfare Ministry ranked first in a list of the largest misusers of state funds at 7.34 billion yen, grabbing the top slot for the fifth consecutive year, followed by the Agriculture, Forestry and Fisheries Ministry with 1.92 billion yen and the Finance Ministry at 1.62 billion yen.

The auditors criticized the Social Insurance Agency was for being lax in checking companies' failure to report when their employees became ineligible for pensions as their monthly pay passed a certain level.

As a result, in the year that ended in March, 3.26 billion yen's worth of old-age pensions were paid to 2,560 ineligible corporate employees, according to the report.

Also cited as spending that went down the drain were five of the 65 overseas projects financed by Japan's official development assistance (ODA).

In a hydraulic power generation project in northern India, for instance, which absorbed 3.2 billion yen in aid from Japan, two of the eight generators which had been constructed by 1983 were still stuck in a warehouse in 1993.

It was also revealed that employees at 31 post offices nationwide embezzled a total of some 200 million yen's worth of postal insurance premiums, according to the report.

Ozawa on NFP Policy, Future of Ties With U.S.

OW1912142994 Tokyo FNN Television Network in Japanese 2239 GMT 17 Dec 94

[FBIS Editorial Report] Tokyo FNN Television Network in Japanese at 2239 GMT on 17 December, in its "News 2001" program, carries a 72-minute interview with Ichiro Ozawa, secretary general of the New Frontier Party (NFP). FNN newscaster Yuji Kuroiwa and Megumi Sekito moderate the interview, while columnist Kenichi Takemura and Kobe University Professor Makoto Iokibe participate in the program as guest commentators.

Sekito begins the interview by asking Ozawa about the first step the NFP will take to wrest power from the ruling coalition of the Liberal Democratic Party (LDP), the Social Democratic Party of Japan (SDPJ), and Sakigake (Harbinger Party). Ozawa notes his intention to create a shadow cabinet by the end of this month so as to prepare for the possible wresting of power from the present administration. Asking about the significance of the establishment of the NFP, Ozawa replies: "In a bid to break the LDP's domination—which has brought about corrupt ties among politicians, bureaucrats, and business interests—and to implement the parliamentary democracy system based on the appropriate 'power changeover (seiken kotai),' we needed to form a party capable of taking over the reins of government. Our party has paved the way for a two-major-party system."

As for the difference between the policy of the NFP and that of the present administration, he says: "While the LDP-SDPJ-Sakigake administration favors maintaining the present social structure, which had been formed during post-Cold War era, the NFP intends to reform the present system to deal with changes in the international situation." He adds: "Differences also exist in terms of foreign policy. For example, regarding the question of Japan becoming a permanent member of the UN Security Council, the Murayama administration's position kept changing due to the lack of a firm stand on this issue. At present, Murayama is again taking a cautious

stance on this question. This attitude represents his administration's inward-looking tendency, which cares only for stability in domestic affairs. However, we, the NFP, believe that Japan should take concerted actions within the international community."

At 2255 GMT, the topic shifts to the issue of deregulation. Ozawa stresses the need for deregulation, saying: "Easing regulations is necessary to create new businesses and to open up the domestic market to level similar to that of other countries. However, the present administration still wants to maintain the existing regulations so as to control society." Kuroiwa then points out that the present administration also upholds deregulation as its primary task. Ozawa disagrees: "That is not their actual intention. Concerning the abolishment and unification program for government-affiliated special corporations, none of the Murayama cabinet members have made efforts to have bureaucrats cooperate in this program. Although it is reported that there is strong resistance by the bureaucracy, I think that the Murayama cabinet does not intend to implement this program. However, the NFP honestly believes that this program is necessary, and has confidence in achieving this task." Columnist Takemura suggests the creation of a think tank, a private advisory body to the prime minister, to clearly present the government's views on pending issues.

Kuroiwa then takes up the issue of the future of Japan-U.S. relations. While taking a negative view of the possibility that the Republican Party will take an isolationist stance on trade, Ozawa says that the United States may assume a more hard-line approach on bilateral trade issues. He adds: "What I am now concerned about most of all is a decline in the American people's trust toward Japan. Efforts should be made to help average American people better understand what Japan thinks."

Kuroiwa asks Ozawa whether Japan should put greater emphasis on relations with Asian countries relative to those with the United States. Ozawa replies: "As a matter of course, Japan should perform its necessary tasks as a member of Asian region, because we belong nowhere but Asia. However, it is still necessary for Japan to clearly express our stand on pending issues, such as the concept of the East Asia Economic Caucus. Otherwise, neither Asia nor the United States will talk with us anymore."

In concluding the interview, Kuroiwa asks about possibility of dissolving the House of Representatives and holding a general election. Ozawa says: "We want to speed up preparations for possible elections so that we will be able to win a majority in the Diet. To that end, our party needs to do its utmost to clearly express its stand on pending issues to people through deliberations at the upcoming ordinary Diet session."

'No Hope Yet' of Hata-Ozawa Reconciliation Seen
OW2012094194 Tokyo ASAHI SHIMBUN in Japanese
19 Dec 94 Morning Edition p 3

[FBIS Translated Text] The feud between former Prime Minister Tsutomu Hata (former head of Shinseito) and Shinshinto [New Frontier Party] Secretary General Ichiro Ozawa (former Shinseito secretary general), which surfaced during the election of the Shinshinto president, has temporarily subsided with Hata's assumption of the post of Shinshinto vice president.

However, Hata's camp, which suffered a crushing defeat at the hands of former Prime Minister Toshiki Kaifu, declared it would "check up on the Kaifu-Ozawa leadership as an anti-mainstream faction." Meanwhile, Ozawa has parted ways with Hata and his other "allies" since the time of the former Takeshita faction of the Liberal Democratic Party. He appears to be consolidating the executive organs of Shinshinto around Political Affairs Council chief Yuichi Ichikawa (former Komeito secretary general). There is no hope yet of a reconciliation between Hata and Ozawa.

During an interview with a local television station in his native Nagano Prefecture on 14 December, Hata emphasized his solidarity with Ozawa. He said: "Ozawa and I have always advanced together toward a common goal, even though we fight all the time. I definitely will not have any lingering hard feelings." However, at a party of former Shinseito upper house members in Tokyo on 12 December, Hata said: "I will work even with the devil for the good of the country—I am not saying Ozawa is the devil." This reveals mixed feelings on Hata's part.

In Ozawa's case, although he stated during an interview after the election of the Shinshinto president that his relations with Hata "remain unchanged," he has not been observed to take any positive steps to reconcile with Hata.

More serious than the personal relationship between the two is the heavy residue of hard feelings among their supporters. Hata supporters voice the criticism that, "Close aides of Mr. Ozawa threatened younger Diet members during the presidential election by saying: 'If you do not vote for Mr. Kaifu, you will not receive votes from supporters of the former Komeito in the next general election'." On the other hand, close associates of Ozawa retort: "Mr. Hata does not have the consciousness of a leader because he did not understand the younger members' desire to make Mr. Ozawa secretary general. Mr. Ozawa himself is fed up with him."

Senior officials of the former Shinseito who take a neutral position believe: "There has been a decisive deterioration in the relationship between Messrs. Hata and Ozawa. This practically means the breakup of the former Shinseito. From now on, it will be the mainstream faction against the anti-mainstream faction."

Meanwhile, former Transport Minister Keiwa Okuda, who supported Hata, is working for an amendment to

party rules to give the president the power to appoint the secretary general, claiming the current provision that both the president and secretary general are to be elected by the direct vote of Shinshinto Diet members weakens the president's power.

In reaction to this, Ozawa is expected to consolidate his power base inside the party centering around Ichikawa and Vice President Takashi Yonezawa, former chairman of the Democratic Socialist Party. He reportedly intends to tighten his grip on power inside the party through his election campaign strategy. In this process, the rekindling of hostilities with Hata supporters is probable, and this is expected to be a potential source of trouble in Shinshinto party affairs.

LDP's Miyazawa, Obuchi Factions Dissolve 20 Dec

OW2012102494 Tokyo KYODO in English 1009 GMT
20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Two Liberal Democratic Party (LDP) factions, one led by former Prime Minister Kiichi Miyazawa and the other led by former party Secretary General Keizo Obuchi, disbanded Tuesday [20 December] in line with the party's decision to do away with faction politics.

At the offices of the Obuchi faction near the Diet building, the group's deputy chief, Tamisuke Watanuki, took down the faction's sign. Watanuki told reporters that it will be impossible to reunite factions under the new election system. But he nevertheless suggested that members of the faction will retain close ties, saying, "there should be no objection against fostering friendship among colleagues."

The LDP has decided to terminate faction activities because the new election system of single-seat constituencies coupled with proportional representation for the House of Representatives goes into effect later this month. The LDP factions have long been criticized as a hotbed for money politics and a principal cause of opaque policy-making procedures.

Under the old multiseat constituency system, in which more than two LDP candidate often ran in the same constituency, most of the LDP lawmakers sought election funds and support from faction leaders. Meanwhile, the Miyazawa faction also proclaimed its disbandment during a Tuesday meeting. "I would like to put an end to our activities, which often draw public fire, by the end of the year," Miyazawa said.

Yukihiko Ikeda, a senior member of the faction, however, hinted that the group will continue to retain some form of union. "Friendship among Diet members or the formation of a study group are not prohibited," Ikeda said. Among other LDP factions, groups led by Hiroshi Mitsuzuka and Toshio Komoto have already disbanded, while the faction of Michio Watanabe plans to follow suit Wednesday.

Shinshinto To Form 'Shadow Cabinet' 27 Dec

*OW2012082094 Tokyo KYODO in English 0812 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Senior members of the largest opposition party Shinshinto (New Frontier Party) will select ministers in their shadow cabinet at a meeting Dec. 27, party officials said Tuesday [20 December].

Former Prime Minister Toshiki Kaifu, leader of Shinshinto, is mulling the selection of at least 12 ministers, including one who will be in charge of administrative reform, for what party leaders call "tomorrow's cabinet," they said.

Personnel for intraparty positions such as chairmen of the organizing, management and financial committees will be also chosen, they said.

The Shinshinto leaders also decided to announce Dec. 28 its party candidates for the next polls in the House of Representatives and the House of Councillors. Nine noncommunist opposition parties merged Dec. 10 into Shinshinto and elected Kaifu its first chief.

Convention Before Diet 'Would Be Difficult'

*OW2012055494 Tokyo KYODO in English 0520 GMT
20 Dec 94*

[FBIS Transcribed Text] Prime minister and Social Democratic Party (SDP) [of Japan—SDPJ] Chairman Tomiichi Murayama displayed unwillingness Tuesday [20 December] to hold a special party convention in January to discuss the proposed creation of a new party.

In a meeting with SDP members of his cabinet, Murayama showed doubts over holding such a party congress just before Diet debate starts on the fiscal 1995 budget.

He expressed concern that an SDP decision at the proposed party convention to let itself be superseded by a new party could undermine his administration.

Murayama held unofficial talks with SDP cabinet members, including Management and Coordination Agency Chief Tsuruo Yamaguchi and Construction Minister Koken Nosaka, after a regular cabinet meeting.

SDP Secretary General Wataru Kubo, one of the leading advocates for the early creation of a new party, urged Murayama on Monday to hold a party convention as early as possible, preferably before the ordinary Diet session convenes Jan. 20.

The plan for a January meeting is also supported by former Party Chairman Sadao Yamahana.

However, prior to his meeting with SDP ministers Tuesday morning, Murayama told some lawmakers of the Liberal Democratic Party (LDP), the SDP's partner in the ruling coalition along with New Party Sakigake

[Harbinger], that Kubo's plan for an early SDP congress is not making much headway.

"I don't think a party congress will take place on Jan. 21," as proposed by the advocates for rapid moves toward a new party, Murayama told LDP legislators of the House of Councillors.

In his meeting with Kubo on Monday, Murayama reportedly said a party convention before the start of the Diet session would be difficult because of his tight schedule, including the prime minister's visit to the United States.

Murayama and Kubo said that it would be no less convenient to hold a party congress after Diet discussions begin on the government budget for fiscal year starting in April.

Nosaka told a press conference after the cabinet meeting that Murayama appears to prefer holding a party rally sometime after the budget passes the House of Representatives, so that provincial elections in April can be approached without any fixed agenda for disbanding the SDP.

Yamaguchi said at a separate press conference that the premier should be given enough time for preparing for the Diet session, which he says is at the top of the political agenda.

Ministry To Issue 37.98 Trillion Yen in Bonds

*OW1612125194 Tokyo KYODO in English 1234 GMT
16 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—The Finance Ministry plans to issue government bonds worth a record 37,975.8 billion yen during fiscal 1995, up 1,444.7 billion yen from the initial plan for fiscal 1994, ministry officials said Friday [16 December].

The previous record was 36,531 billion yen planned for fiscal 1994, ending next March 31, the officials said.

Out of the 37.98 trillion yen bond issues for fiscal 1995, the ministry intends to newly issue construction bonds worth about 9.8 trillion yen, as well as 2.8 trillion yen in deficit-covering bonds to finance tax cuts, according to ministry sources.

The remainders will be refunding bonds to finance redemption of public bonds issued in the past, the sources said.

In fiscal 1995, it is planned that the public sector will underwrite 7,310.9 billion yen's worth of bonds, down 459.7 billion yen from the initial fiscal 1994 plan, while the private sector is expected to absorb 30,664.8 billion yen in bonds, up 1,904.4 billion yen, the ministry officials said.

The officials attributed the expected drop in the public sector's underwriting to a decrease in carrying-over by

the bank of Japan, whose holdings of bonds are lower than originally planned for fiscal 1994 and will expire.

Government bonds for public bids in fiscal 1995 will amount to 18,464.8 billion yen, up 1,904.4 billion yen, the officials said.

The ministry's plan aims to diversify public bonds by increasing medium-term bond issues to meet market needs, they said.

The balance of outstanding government bonds will total 200,623.7 billion yen at the end of fiscal 1994 based on the initial plan for the year, which accounts for 41 percent of gross domestic product (GDP), they said.

Debt Impact on Future Credit Market Analyzed

OW1912002994 Tokyo KYODO in English 2314 GMT
18 Dec 94

["News Focus" by Keiko Tatsuta]

[FBIS Transcribed Text] Tokyo, Dec. 19 KYODO—The increasing amount of government debts may not be of crucial importance to Japan at present, but it is sure to be a heavy burden on the credit market in the future.

The total amount in outstanding government bonds will reach 200.62 trillion yen at the end of fiscal 1994 on March 31, based on the year's initial bond issuance plan, equivalent to 41 percent of gross domestic product, according to the Finance Ministry.

Atsushi Miyawaki, senior economist at Japan Research Institute, said although it looks massive, the amount itself would probably not have an immediate critical impact on Japan's financial markets.

The issue was also spotlighted when outstanding public debts reached 100 trillion yen in the early 1980's, but subsequent economic growth and expansion of financial markets digested them, Miyawaki said.

"Given progress in liquidation of government bonds, it doesn't matter right away... [ellipses as received] The problem is whether the credit market can continue absorbing such bonds in the future," he said.

Miyawaki said the balance would come to some 300 trillion yen in the early 21st century and could reach 400 trillion to 500 trillion yen if outstanding local government bonds and government-guaranteed bonds are included.

"I cannot simply say 'yes' if asked whether such an amount can be absorbed smoothly," Miyawaki said.

The Trust Fund Bureau at the Finance Ministry has assumed the risk of buying new government bond issues, with the balance of the underwritten bonds reaching 60 trillion yen, Miyawaki said.

He doubted, however, that the public sector, or the Finance Ministry, could go on holding government

bonds. Once the public sector releases its holdings onto the credit market, long-term interest rates will come under upward pressure, Miyawaki said.

"A possibly tight public fund position may affect the private market in the future," he said.

Influence has already been seen in the credit market with long-term interest rates gradually edging up since early this year as a result of the bureau's selling of part of its government bond holdings without repurchase agreements, Miyawaki said.

It will gradually become more difficult for the bureau to underwrite massive government bonds, he said, not denying that there is a possibility of "crowding out" private investment.

Kazuto Uchida, an analyst at Mitsubishi Diamond Securities Co., said the weight of digestion by the private sector has increased.

The private and public sectors have been in an underwriting ratio of seven to three for the past few years, but were in a ratio of eight to two in the current fiscal year and the ratio may not improve in favor of the private sector in fiscal 1995 and after, Uchida said.

The Finance Ministry plans to issue a record 37,976 billion yen worth of government bonds for fiscal 1995 starting April 1, up 1,445 billion yen from the initial fiscal 1994 plan.

Of these issues, 30,665 billion yen or 80.7 percent will be for the private sector, and 7,311 billion yen or 19.3 percent for the public sector, the ministry said.

The ratio compares with 78.7 percent to 21.3 percent in fiscal 1994 and 70.9 percent to 29.1 percent in fiscal 1993, according to the ministry's figures.

Mamoru Yamazaki, senior economist at Goldman Sachs (Japan) Ltd., said it is inevitable that the public sector will not be able to afford to underwrite many bonds.

That would be a negative factor for the market, sending interest rates higher or checking their fall, Yamazaki said.

He said even under the same conditions which used to pull down interest rates, the tight public fund position may weaken such natural downward force.

Mitsubishi's Uchida said institutional investors have raised the rate of bonds in their fund management portfolios because other markets remain sluggish.

Once corporate demand for lending improves as the economy gradually recovers, the pressure on bond supply will become stronger, leading interest rates to go up, Uchida said.

"Crowding-out has already occurred in the undercurrent of the market," Uchida said.

Hiroaki Hashiguchi, an economist at Tokai Bank, expected the bond dependency ratio, or the percentage of bond issues to total revenues, to jump from 18.7 percent in fiscal 1994 to 34 percent in fiscal 2020.

Although the government set a medium-term target to bring down the ratio to less than 5 percent in fiscal 1999, Uchida also forecast it will grow to nearly 30 percent in several years.

Hashiguchi said that as the rapid pace of the aging of society may lower savings and rather expand consumption in households, surplus private money may no longer be able to afford to finance shortages in the public sector, which has so far effectively depended on households savings.

He also voiced concerns that the credit market might be confused by the increasing effects of crowding-out in the early 21st century.

NFIAJ To Set Up Keiretsu Investigation Agency

OW1812103494 Tokyo ASAHI SHIMBUN in Japanese
16 Dec 94 Morning Edition p 11

[FBIS Translated Text] Junji Kono, chairman of the Non-Life Insurance Association of Japan [NFIAJ] (who is also president of Tokyo Marine and Fire Insurance Company), in a regular news conference on 15 December announced that it will set up a "keiretsu [affiliated firms] issue" investigation agency as soon as possible. The agency's establishment has been called for by both the Japanese and U.S. Governments pursuant to an agreement made during Japan-U.S. economic consultations.

But Kono added it would be difficult to set up the agency by the required deadline of 15 December because of differences of view existing between Japanese and U.S. industries regarding the research organization to which the investigation should eventually be entrusted. Meanwhile, on the same day, the life insurance industry sent notices to both governments informing them such an "investigation is unnecessary."

The establishment of an investigation agency into the keiretsu issue by the life insurance and non-life insurance industry by 15 December, is called for in protocols of agreement signed during the Japan-U.S. economic consultations in the fall. In the case of the non-life insurance industry, its biggest operator, Tokyo Marine and Fire Insurance Company, belongs to the Mitsubishi group, and other major players are companies that belonging to the "old zaibatsu" [business group]. As such, the demand from the U.S. Government for an investigation into keiretsu within this industry has been particularly strong.

National Economy Shrinks 0.2 Percent in FY93

OW1612025194 Tokyo KYODO in English 0157 GMT
16 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—Japan's real Gross Domestic Product (GDP) contracted

by 0.2 percent during fiscal 1993, posting its sharpest ever postwar decline, the Economic Planning Agency (EPA) said Friday [16 December].

The decline compared with a 3.6 percent growth in fiscal 1991 and a 0.3 percent increase in fiscal 1992.

It was the second time in the postwar period the economy showed no growth or sank below the previous year's level, following fiscal 1974 when real GDP experienced 0.0 percent growth, the agency said.

Domestic demand made a positive contribution of 0.3 percent to the fiscal 1993 GDP while external demand made a negative contribution of 0.5 percent, the agency said.

Of domestic demand, personal consumption expenditures increased 1.4 percent during the reporting year in an improvement from a 0.9 percent rise in fiscal 1992, while housing investment grew 5.3 percent following a 3.7 percent slide.

Corporate plant and equipment investment plunged 10.0 percent, slumping further from a 6.6 percent fall in the previous year.

The 10.0 percent drop was the steepest, eclipsing the previous record fall of 8.5 percent registered in fiscal 1974.

Aided by a series of pump-priming packages, the government's fixed capital formation continued to grow substantially with a 13.3 percent gain, following a 17.6 percent growth in fiscal 1992.

Exports of goods and services edged up 0.2 percent but their imports rose a sharper 4.1 percent, resulting in a 0.5 percent decline in net exports.

Nominal GDP for fiscal 1993 rose only 0.6 percent, showing the lowest postwar increase, the agency said.

The GDP price deflator, a key inflation gauge, grew a marginal 0.8 percent in the year against a 1.5 percent gain in fiscal 1992.

The slack deflator increase reflected large drops in export and import prices, the agency said.

National income for the reporting year totaled 358.9 trillion yen, down 0.6 percent from the preceding year for the first yearly decline since the end of World War II, the agency said.

Income distributed to employees accounted for 75.0 percent of the total national income, up from 72.7 percent.

The distribution ratio for workers climbed for five years in a row, the agency said, explaining the ratio tends to go up during the economic slump.

Land assets scored a capital loss of 117 trillion yen during calendar 1993, for the third consecutive setback

in as many years, under the lingering impact of the bursting of the bubble economy.

But stock assets saw a capital gain of 4 trillion yen in the year, pulling out of the minus column for the first time in four years, the agency said.

Japan's total assets aggregated 6,981 trillion yen at the end of calendar 1993, up 0.8 percent from a year before.

Net assets, or total assets minus debts, came to 3,204 trillion yen at the end of calendar 1993, falling 2.1 percent from a year ago for the third running yearly decline.

Nominal GDP for calendar 1993 amounted to 4,207.5 billion dollars for Japan, the second highest among countries in the Organization for Economic Cooperation and Development (OECD) after 6,288.2 billion dollars for the United States. Japan took the second position in calendar 1992.

Per-capita nominal GDP for the same year stood at 33,764 dollars for Japan, the highest among the OECD nations. Japan captured the top position for the first time while Switzerland saw its ranking drop to second place.

The ratio of tax and social security payments against total national income came to 38.2 percent in Japan in fiscal 1993, up from 38.0 percent, the agency said.

EPA To Forecast 2.8% Real Growth for FY95

OW1412150694 Tokyo KYODO in English 1440 GMT 14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—The Economic Planning Agency (EPA) will forecast inflation-adjusted Japanese economic growth of about 2.8 percent for the coming fiscal year, agency sources said Wednesday [14 December].

The forecast, which agency Vice Minister Ttutomu Tanaka will present Thursday to Prime Minister Tomiichi Murayama, will predict nominal growth, before adjustment for inflation, of some 3.6 percent for the fiscal year starting in April, the sources said.

The EPA forecast is to be endorsed by a meeting of economic ministers Monday as the government's official forecast.

Behind the agency's judgment is the view that the economy is on a recovery trend, with three straight quarters of growth, while the coming fiscal year is expected to see consumer spending remaining strong, and corporate capital spending turning upward from its long decline, the sources said.

But as that recovery of spending on plant and equipment is expected to be only a gentle increase, the EPA, the Finance Ministry and the Ministry of International Trade and Industry—which often wrangle over the final

figure for the forecast—agreed that overall economic growth will be relatively slow, the sources said.

In the EPA view, although the economy has returned to growth led by domestic demand, the high yen is causing import growth to exceed that of exports, meaning that external factors will continue to be a negative contributor to the economy, they said.

Tokyo Cuts 1994 GDP Growth Estimate to 1.7%

OW1612045294 Tokyo KYODO in English 0429 GMT 16 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—The government now estimates Japan's economic growth for fiscal 1994 at a real 1.7 percent, below its official projection of 2.4 percent, Finance Minister Masayoshi Takemura said Friday [16 December].

Takemura disclosed the unofficial figure at a press conference after a regular cabinet meeting when asked about the government forecast of a real 2.8 percent growth of the nation's gross domestic product (GDP) for fiscal 1995 starting April 1.

Takemura said the 2.8 percent prediction was arrived at through deliberations among government ministries and agencies concerned, taking account of the outlook for the current fiscal year and the present moderate economic recovery trend.

Early in December, the economic planning agency reported Japan's inflation-adjusted GDP during the second quarter of fiscal 1994 rose 0.9 percent from the preceding three-month period, giving an annualized growth rate of 3.7 percent.

The agency said it is unpredictable whether the official 2.4 percent forecast for fiscal 1994 is attainable or not, noting an average 1.62 percent or an annual 6.64 percent growth is necessary in each of remaining two quarters to attain the forecast.

As to the 2.8 percent forecast for fiscal 1995, Takemura said it may be somewhat more ambitious than private institutes' predictions.

Mieno Says Economy Needs Further Treatment

OW1612095594 Tokyo KYODO in English 0928 GMT 16 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—The Japanese economy still needs treatment for the "after-effects" of the bubble boom, and faces new challenges amid the changing global economy, outgoing bank of Japan Governor Yasushi Mieno said Friday [16 December].

Balance-sheet adjustments at companies and financial institutions remain at the midway point, although "almost completed" inventory adjustment has led the

economy to start "recovering gradually," Mieno told a farewell press conference on the last day of his five-year term.

As for new challenges, the economy must restructure to meet the changing international picture, Mieno said, particularly citing "strong developments" in other Asian nations and innovations in financial markets.

Policy authorities must continue paving the way for the private sector to cope with these issues, he said, calling on the government to push forward deregulation.

In this sense, the central bank has yet to realize its main target of "sustainable growth without inflation," Mieno said, in a message to his successor Yasuo Matsushita.

The government officially decided Friday at a morning cabinet meeting to appoint Matsushita, an advisor at Sakura Bank and a former vice finance minister, to succeed Mieno.

Mieno described Matsushita as an "entirely qualified" person to succeed his post.

The outgoing central banker expressed hope that the new chief will carry on with unfinished measures and take on new challenges to attain an inflation-free sustainable growth.

"I think the way has been paved with open prospects for the future," he said.

On balance sheet adjustments, Mieno said write-offs of nonperforming loans at banks "have peaked, but the liquidation of nonperforming assets has just started."

The problem is still at the mid-way point against this backdrop, he said, adding that the government must continue to pave the way primarily through deregulation to further accelerate private sector efforts.

Meanwhile, Mieno ruled out the possibility of the central bank using a recently announced rescue plan for other cases.

The Bank of Japan said last week it will establish a special bank with major private banks to rescue two Tokyo-based credit unions reeling under a mountain of defaulted loans. It marks the first incidence of its kind since 1965 when the central bank extended special loans to beleaguered brokerage firms amid a stock market crash.

"It is an emergency measure (to prevent a financial crisis) and will not serve as a model for the future," Mieno stressed.

Deregulatory measures are also needed to facilitate market activities and mechanisms for the economy to weather the "pressures" of the changing international scene, Mieno said.

Amid enhanced "market dynamism," Mieno said he hopes private companies and financial institutions will push forward with "self-innovation" to cope with global challenges.

On the yen's rise, Mieno stressed the importance of correcting Japan's huge current account surplus that annually reaches some 120 billion dollars, while listing short-term and long-term factors as responsible for boosting the trade gap.

Short-term "cyclical factors" are set to run their course as the Japanese economy is starting to recover, he said.

But long-term factors stemming from a lack of balance between savings and investment rates need further measures, chiefly deregulation and improvement of social capital to boost investment, he said.

Mieno also pointed to the important role of policy coordination by the central bankers and finance ministers of the Group of Seven (G-7) nations.

But Mieno said there is a "misunderstanding" over the G-7 meetings. The significance of the gatherings lies in "confirming each other's policies," he said, brushing off such policy moves as concerted credit hikes.

Mieno's five-year term was devoted to economic management related to the "bubble economy" boom which took off just after he took the post in the late 1980s. Mieno raised the official discount rate six times to 6.0 percent from 2.5 percent and lowered it seven times to the current record low of 1.75 percent.

Asked about the hectic inflation of asset prices during the bubble years, Mieno said the central bank watches asset prices but its policy is focused on wholesale and consumer prices.

Wholesale and consumer prices remained stable even during the bubble boom, he noted.

"We are not implementing monetary policy to fight the bubble, but to attain inflation-free sustainable growth," Mieno stressed.

As his final message, Mieno stressed that the central banker should stick to his role as a "guardian" of stable prices and a stable financial system.

Cabinet Endorses Forecasts for Economic Growth
OW1912071894 Tokyo KYODO in English 0656 GMT 19 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 19 KYODO—The cabinet Monday [19 December] endorsed its official forecasts for economic growth in fiscal 1995, which starts April 1, with a real economic growth rate goal set at 2.8 percent over the previous year.

The inflation-adjusted 2.8 percent growth rate in the nation's Gross Domestic Product (GDP)—higher than the 1.5 to 2 percent predicted by most private economic

institutions—is not a mere forecast but essentially a policy target that will become the government's economic management "yardstick" for the entire year.

In making the projections, the government revised downward the GDP growth rate forecast in the current fiscal 1994 ending March 31 to a real 1.7 percent from its initial estimate of 2.4 percent. The unadjusted growth rate is also slashed to 1.9 percent from the original 3.8 percent.

Given the new forecasts for fiscal 1994, Prime Minister Tomiichi Murayama's cabinet now estimates that the GDP in fiscal 1995 will total about 492.8 trillion yen, up 3.6 percent in nominal terms and 2.8 percent in real terms over the year before.

The government scenario is that consumption expenditures, which have picked up a recovery pace recently, will continue to increase, and private-sector capital spending will show the first year-on-year surge in four years, while private housing investment will remain at high levels. "Japan's economy is projected as moving to realize stable growth led by domestic demand, particularly by a recovery in private-sector demand," the government said.

The forecasts were drawn up by the Economic Planning Agency (EPA), and approved by economic ministers and a special cabinet session Monday.

In detailing the forecast, EPA officials said consumption will show a moderate recovery because the income situation is likely to improve, and inventory adjustment is almost completed.

Corporate capital spending appears to hit bottom within fiscal 1994 and will show a clear recovery after the middle of fiscal 1995 though at a gentle pace, they added.

However, the growth predicted for consumption and capital spending in the private sector—two locomotives for the nation's economy—is not very high compared with growth seen in past recovery phases, the agency's officials said.

Meanwhile, industrial output in the next fiscal year is predicted to increase 4 percent from the year before, while wholesale prices are projected to inch up 0.5 percent and consumer prices 0.9 percent.

The declining trend in import prices, which has been seen for some time with the strong yen on foreign exchanges, will soon end and prices are going to post an upward move next year, the EPA officials said.

On the politically sensitive current account surplus, the government forecasts a decline in both terms of the yen and the dollar as the growth in imports outstrips that of exports. It sees an inflation-adjusted 8.8 percent surge in imports and a 4 percent rise in exports for the coming year.

The following are the government's revised economic forecast for fiscal 1994, and the economic outlook for fiscal 1995. Figures are in trillions of yen, with inflation-adjusted annual percentage growth in parentheses.

Revised prospects FY '94	prospects for FY '95
gross domestic product (GDP)	
475.5 (1.7)	492.8 (2.8)
private consumption expenditure	
282.3 (2.7)	294.2 (3.3)
private housing	
26.7 (9.5)	27.2 (0.2)
private corporate spending	
66.2 (-5.8)	68.9 (3.7)
gross national product (GNP)	
479.7 (1.7)	497.5 (2.8)
current account surplus	
12.7	11.9
trade surplus	
14.3	13.6
Exports	
39.0 (1.6)	40.5 (4.0)
Imports	
24.7 (7.5)	26.9 (8.8)

EPA Announces Revision of World Economic Model

OW1412120094 Tokyo KYODO in English 1014 GMT
14 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 14 KYODO—The Economic Planning Agency announced Wednesday [14 December] it has revised the basic rule designed to measure the impact of major economic developments on domestic and external economies for the first time in three years.

The agency said the revision was necessitated by major economic changes caused by the burst of the "bubble" economy in the late 1980s.

The revised model includes new factors that will produce lower figures for economic effects to be brought on by additional spending for public works projects and income tax cuts, agency officials said.

Under the new model, expenditures for public capital formation equivalent to 1.0 percent of the real gross domestic product (GDP) for three consecutive years by 1.24 percent in the initial year and 1.40 percent each in the following two years.

The expansion rates were 0.09 to 0.23 percentage points lower than those brought about under the old model, the officials said.

The extra expenditures were assumed to be covered by national bond issues.

Public capital formation represents expenditures for works projects minus acquisition costs and compensation fees.

Under the new model, the officials said, rising interest rates will cause greater restrictive effects on corporate capital investment and private housing investment than the old model and result in expansion of imports to meet domestic demand growth.

The officials said income tax cuts equivalent to 1.0 percent of the GDP will contribute to boosting the GDP by 0.42 percent in the initial year and 0.83 percent in the third year.

A 10 percent fall in the yen's value against the dollar will boost the real term gdp by 0.56 percent in the initial year and 1.31 percent in the third year while the yen's 10 percent appreciation will depress the gdp by the same range, the officials said.

EPA To Develop New Five-Year Economic Plan

OW1712123494 Tokyo NIHON KEIZAI SHIMBUN in Japanese 16 Dec 94 Morning Edition p 1

[FBIS Translated Text] The Economic Planning Agency [EPA] has started the work of preparing for a new five-year economic plan to replace the current five-year economic plan (1992 to 1996) aimed at developing Japan into a big power where people collectively enjoy a better quality of life. The EPA intends to draw up the plan based on five objectives out of consideration for the growing apprehension about the future growth of the Japanese economy following a long-protracted recession sparked by the burst of the bubble economy. The five objectives aim to: 1) promote the relaxation of regulations; 2) strengthen economic relations with other Asian nations; 3) build a consensus on the people's burden in a society of senior citizens; 4) deal with high-speed information; and 5) build a stable economy that can exist in harmony with the environment. The plan period includes the five years from 1995 to 1999. Opinions are expected to be coordinated in a direction of setting the rate of real economic growth during the plan period at about three percent. Prime Minister Murayama will ask the Economic Deliberation Council (headed by Gaishi Hiraiwa) in January next year to deliberate the plan and the council will compile a report around next summer.

It is highly possible that the rate of real economic growth during the plan period will be less than the 3.5 percent envisaged by the current five-year economic plan. Claiming that the "Japanese economy still has the potential to continue to grow," the EPA stresses that "current economic data could lead people to make wrong projections on the future growth of the Japanese economy." The EPA intends to coordinate opinions in the direction of setting the rate of real economic growth during the plan period at three percent, 0.5 percent less than that

projected by the current five-year economic plan. Many private economists take a pessimistic view of the three-percent growth rate, saying, "It would be difficult to achieve the three percent rate of economic growth in the medium term." The projected rate of economic growth during the plan period seems likely to become a focal point in the work of the Economic Deliberation Council.

Prime Minister Murayama and EPA Director General Komura will meet within this year to formally decide to begin the work of drawing up the new five-year economic plan. The Economic Deliberation Council will complete the work of checking up on progress in the current five-year economic plan before they make the decision.

In Japan, the recession has been protracted longer than anticipated, and a hollowing out of industry has been talking place. Other Asian nations' economies have been growing rapidly. The EPA has confirmed these developments, which are not envisaged in the current five-year economic plan.

The EPA says that upon receiving a report from the Economic Deliberation Council on the results of its inspection work, it will include a "package of concrete measures in the new five-year economic plan to restructure the Japanese economy" with the primary aim of relaxing regulations, narrowing price differentials between Japan and other industrial nations, and revitalizing the Japanese economy (according to a top EPA official).

In the new five-year plan, the EPA intends to strengthen future economic relations with other Asian nations after their economic growth is put on a stable track with the aim of allaying apprehensions about the ongoing hollowing out of industry caused by the relocation of production by Japanese enterprises to foreign countries and numerous regulations on monetary and financial markets at home.

Positive Policy Urged To Prevent Strong Yen

952A0110A Tokyo SHUKAN TOYO KEIZAI in Japanese 15 Oct 94 pp 140-143

[Article by Koichi Hamada, Yale University professor: "Strong Yen, Weak Government"]

[FBIS Translated Text] *The United States Government is at a loss about what to do for Japan. Moreover, the successively administrations of Hosokawa, Hata, and Murayama all appear to be unreliable. A mutually complimentary policy in terms of monetary and public finance would be most appropriate for preventing a stronger yen.*

At the end of June, the dollar rate finally fell below 100 yen, and Japan experienced a two digit rate for the first time since the end of the war. Of course, from the standpoint of economic logic, there is no particular significance whether the dollar drops below 100 yen or not. It does not make much difference if it falls under 101 yen or under 99 yen.

The reason so much attention is given to the special value of 100 yen is that it creates a so-called currency illusion. This currency illusion refers to the fact that if a price tag of 9,900 yen is placed on given product instead of a 10,000 yen price tag, people have the impression that the 9,900 yen price is much cheaper. In any case, in an age where the yen fluctuates around the 100 yen level, a one yen movement of the dollar means a yen fluctuation of 1 percent, relatively speaking. Compared to a one yen fluctuation a long time ago when it was close to 200 yen per dollar, this has a distinctively greater impact. For present Japanese firms, especially exporting firms, a dollar rate movement that goes one or two yen under a 100 yen signifies a truly painful change in competitive conditions.

At any rate, the yen having dropped under 100 yen is a symbolic event. It is interesting that it coincides with the time when a SDPJ [Social Democratic Party of Japan] prime minister assumed power against expectations. It is also interesting that it coincides exactly with the 50-year period after the World Bank and the International Monetary Fund (IMF) were created at Bretton Woods.

To be sure, even a 1 percent higher yen is a significant burden for firms. If it rises further, cost calculations for Japanese exporting firms will be driven into restrictive conditions. Regardless of whether former Bank of Japan Director Masaru Hayami was acting as spokesman for the opinions of the Bank of Japan when he made the statement that the yen being this strong will not matter much, for firms that could be called a pretty cruel statement. It would be one thing if prices were in a perfectly flexible classical economics environment much like a vacuum condition. However, when there is rigidity in the cost factors of wages and prices, there are limitations even though one tries to lower export costs in response to the exchange rate which is the price on paper that changes from moment to moment.

U.S. Basically Laissez-Faire Concerning Strong Yen

From the viewpoint of the United States where this author resides, the strong yen is not particularly painful in a direct sense. It is said that exports from Japan make up 2 percent of U.S. GNP. When the yen increases by 10 percent, assuming that amount is shifted as it is to import prices from Japan, the impact on U.S. consumer prices would only be 0.2 percent even though the price of items imported from Japan increases 10 percent.

In negotiations with the United States, Japan frequently says that it will open domestic markets, and yet there is not really much effect on openness. Because of the closed nature of Japanese private sector and the government, pressure from the U.S. Government is not readily reflected in the current account balance. Consequently, market opening in Japan is slow, and the expansion of imports is delayed. Meanwhile, since exports increase, the Japan's current account surplus continues to increase. Such being the case, the current situation is that the U.S. Government is at a loss for what it should do.

In addition to that, none of the administrations coming to power in Japan whether the Hosokawa, Hata, or Murayama governments seems to be reliable. The style of Japanese Government is pretty much to say "I understand," but it usually does not put it into practice. Governments these days might say "I understand," but no one knows how long that group will remain in charge. It could be said that this kind of condition of frustration is felt by those in charge of negotiation with Japan in the United States.

Then came the strong yen. Needless to say, the strong yen appears to be promoted by the expectation that future market opening in the Japanese economy will not advance. At least, it is promoted by the existence of that sentiment in the markets. This is evident in fact that exchange markets shift to a weaker yen each time there is news indicating apparently favorable Japan-U.S. economic talks.

The U.S. Government would think that if Japan suffers from the strong yen, it probably would open its markets during its struggle. Because pressuring the government is uncertain, the U.S. Government tries to attack by using market pressure in the form of the yen rate. Consequently, it is thought that the basic thinking of the current Clinton administration appears to be insolent under the cover of politeness and leave the high yen as it is.

Of course, it is not as though nobody in the United States is concerned about the strong yen. If the dollar were to drop precipitously, those who invest in dollar assets would lose confidence in the dollar in one stroke, which could cause a movement away from the dollar. If that should happen, the dollar would be dumped and forced to relinquish its position as the key currency that serves as the medium in world trade. It appears that Federal Reserve Board Chairman Greenspan is worried about this weak dollar with respect to the mark and the yen.

Although the U.S. economy at present is not indicating any signs of inflation according to the price index, interest rates have already been increased five times as a precaution from February until August 1994, and it is thought that this may still continue. Because interest rates are being frequently hiked even though the economy is not overheating, a cloud has been cast over the stock market, and there have been some big losses in investment trusts, among other things.

One reason for interest rate hikes is that commodity market leading indicators such as gold have begun to rise, suggesting future inflation. However, another reason for Greenspan to raise interest rates is that he does not want the dollar to drop too far.

Numerical Targets Are Difficult To Accept

Now we focus our attention to the weak government, or at least, the government that appears weak that was mentioned earlier. In common sense terms, it would appear that a weak government will not do well in

diplomacy. However, according to recent international relations theory, game theory, and the like, a government that is weak domestically will at times have advantages from the standpoint of diplomacy. For a demand from abroad [for example], it is able to assume a defiant attitude by saying that even if it accepts the demands from abroad, it cannot overcome domestic opposition. Consequently, a weak government is more able to become strong diplomatically at times.

It may still be too early to judge whether the current Japanese Government is strong or weak. In any event, it is a fact that the U.S. Government is extremely irritated under the perception that the current Japanese government is a weak government. Therefore, when there is news that the yen has strengthened; that Japanese firms are suffering; and that Japanese employment practices can probably not be maintained, the U.S. economic sector seems to look on cooley, as if to say, "See there? When the government does not act to open markets, firms will be the ones to suffer."

What can Japan do? One method, first of all, would be to leave macro policies as they are and accept all foreign requests to open markets and wait until the open market policy increases imports. It is an unfortunate fact that the Japanese Government, by various restrictions or protective measures, has been preventing the Japanese consumer from enjoying the benefits of the strong yen fostered by free trade.

However, there are two problems with this approach. First, as a means for opening markets, there are things that should and should not be done among the requests from abroad. Elimination of nontariff barriers and liberalization of agricultural products including rice badly need to be done, and it is only natural that restrictions for protecting industry in which the government occasionally takes the lead be eradicated. However, there absolutely must not be anything like numerical restrictions promised that would give the government new authority and which would entail new restrictions.

On that point, it is utterly incomprehensible how Mr. Richard Ku, author of the recently much talked about book "Strong Yen: Good and Bad," could say on the one hand that Japan must remove market restrictions while saying it should accept numerical targets. In any event, Japan must carry out the type of liberalization that is necessary and that will, in the end, benefit the consumer. However, numerical import targets which defy free trade principles must not be approved.

The second problem with the microeconomic approach to opening markets is that it will take time to dissolve the international balance of trade surplus by individual policies and that there are limitations in their effects. If faith is placed on market opening policies alone, the strong yen will continue. This would mean that until the power of import liberalization works, the Japanese economy would have to undergo the protracted pain of continued worsening earnings of firms and the sacrifice of the jobless.

Necessity of Monetary Relaxation in Japan

Therefore, the position of macro policy becomes necessary. To that end, the Japanese economy must utilize public finance and monetary policies. The first step would be fiscal relaxation. To be sure, the current official discount rate is extremely low, but further monetary easing is necessary to prevent the yen from becoming stronger. Monetary relaxation would stimulate movement toward a weaker yen and, although there is a fear that a weaker yen would bring expanded exports that would be a factor in the current account surplus, that could be prevented with public finance policy.

Exchange rate intervention and coordinated intervention policies are frequently performed. When the yen was about to penetrate the 100 yen barrier, the Bank of Japan attempted to intervene to halt it but was almost powerless. There are instances in which exchange rate intervention policy has been successful as it was after the Plaza Accord. However, the following two reasons show why intervention can only have limited results.

First, funds to intervene in markets are extremely limited. Intervention would be like a mere drop in the vast ocean of transactions in the trillions of dollars that are made each day on world markets. Consequently, intervention policy cannot be expected to play a major role. Second, monetary policy must accompany intervention policy in order for it to be successful. Nevertheless, intervention policy has caused sterilization in ordinary instances. That is, monetary policy has been performed in such a way that it counteracts the effects of intervention policy.

Consider, as an example of intervention, selling yen and buying dollars. Because the Bank of Japan releases yen in order to buy dollars, it means that more yen assets are generated among the assets of the private sector. The result of that is the monetary base inside Japan increases and, consequently, the money supply increases. In fact, this is a necessary monetary policy change for the purpose of validating intervention policy.

The so-called exchange rate determining monetary approach indicates that because the supply of yen decreases, yen depreciation (rise in the dollar rate) occurs. However, ordinarily, the Bank of Japan implements policies that will prevent the increase of the monetary base via selling on the market of domestic bonds along with intervention so that this increased currency balance will not influence the domestic economy. Intervention policy that includes this type of counteraction policy is called sterilization policy. Intervention policy is, pardon the expression, always so half-baked that its effect is exceedingly feeble. Because the private sector's preference is different with respect to dollar assets and yen assets, sterilization policy is not totally without effect, and it has been proven by research results that its effects are exceedingly weak.

Consequently, regardless of whether yen intervention is the only way, relaxation of interest rates is what is

needed to prevent a strong yen. If fiscal relaxation invites a weak yen and appears likely to expand exports, then it would be well to simultaneously expand public finance.

Instead of sober talk about raising the consumption tax in the future, expanding public finance along with monetary relaxation is the only method for easing the pain of the present economic downturn. In the context of a fluctuating system, that would be the shortest route to solving the current account surplus. If public finance expansion were to spur a rise in interest rates and threaten to promote an excessively strong yen, then it would be best to simultaneously induce monetary relaxation and stop the tendency toward a strong yen.

There are some who advocate a return to fixed exchange rates. However, as long as exchange rates alone are fixed while finance and fiscal policies are allowed to remain free, it would become difficult to maintain fixed exchange rates and one would always have to be prepared for the occurrence of currency speculation and currency crises. The failure to unify EC currency in September 1992 is an indication of this fact.

A comparison of recent Bank of Japan actions and U.S. Federal Reserve Board policies shows that the Federal Reserve Bank is trying to prepare for the future by the precautionary action of raising interest rates with the intention of warding off future inflation. Whether this interesting experiment will prove successful or whether this series of interest rate hikes was premature will have to await the judgment of history. At any rate, however, the Federal Reserve Bank is taking precautionary, forward looking actions.

In contrast to this, I think that the Bank of Japan is more backward looking. From 1988 to 1989 at the time of the land and stock boom, it was unwilling for an extended period to begin raising interest rates and had fixed interest rates at 2.5 percent. When the bubble economy overheated and it began raising the official discount rate, it then began raising it at lightning speed, accelerating the recession. At present, although the nominal interest rate is at a low level, the currency growth rate is being maintained at an extremely low level. Viewed in this way, it seems accurate to characterize the Federal Reserve Bank as forward looking and the Bank of Japan as backward looking.

Mongolia

MPRP Forum Draws Up Political Reform Strategy

LD2012071394 Moscow ITAR-TASS in English 0706 GMT 20 Dec 94

[By ITAR-TASS correspondent Kim Boldokhonov]

[FBIS Transcribed Text] Ulaanbaatar 20 Dec (tass)—The recently concluded conference of the ruling Mongolian People's Revolutionary Party (MPRP) here has

adopted a national development concept and defined the party's attitude towards further deepening of political reforms in the country.

The MPRP focused on 12 aspects of the country's development along democratic and market lines, such as the inadmissibility of the boundless vagueness of the notion of democracy, the development of an ecology-conscious economy, the establishment of state monitoring mechanisms, the ensurance of the independence of law enforcement agencies, and officials' ethics.

A document to this effect also points out the need to take measures to finance political parties, to elaborate a mechanism for the participation of parties, which are not represented in the parliament, in political life, and chart a state policy with regard of non-governmental organizations as an important component of a democratic society.

The socio-economic policy of the MPRP envisages the development of a balanced economy and infrastructure, the formation of economic regions, the launch of research-intensive production processes, and the manufacture of ecologically clean products.

In the field of the foreign policy, the MPRP determined it as a priority to develop foreign economic relations with the world community and international organizations on the principles of equality and mutual benefit.

The conference introduced changes in the MPRP rules, the essence of which is to liberalise the admission of new members, ruling out a multi-stage process.

North Korea

ROK's 'Railroading' of WTO Bill Criticized

SK2012052794 Pyongyang Korean Central
Broadcasting Network in Korean 1225 GMT 19 Dec 94

[Commentary by Yun Pyong-son: "Those Who Turned Against the People Cannot Last Long"]

[FBIS Translated Text] According to a report, the Kim Yong-sam ring railroaded bills through the puppet National Assembly on 16 December to adopt a motion for ratification of membership in the World Trade Organization [WTO] and the special law on implementing the WTO.

At the National Assembly that day, lawmakers from the opposition Democratic Party expressed their opposition to the passage of the bills by asserting not only that the Uruguay Round negotiation process was flawed but that it was very disadvantageous to the protection of farms and the economy. The representatives of the farmers' organizations who were seated in the public access section at the National Assembly, staged a struggle in protest.

Nevertheless, the puppets railroaded the reactionary bills, raving that it was a so-called worldwide trend, that

it could be advantageous, and that they could not afford to postpone it any longer. The railroading of the reactionary bills through the National Assembly by the puppets was an open challenge to the people's demands. It was another example of an intolerable anti-national crime which can only be committed by the Kim Yong-sam ring.

As everyone knows, the South Korean people from various walks of life strongly opposed and rejected the bills from the outset. With the settlement of the Uruguay Round negotiations at the end of 1993, South Korea not only has to open the rice market but also the basic farm produce market, such as for barley, corn, beans, potato, sweet potato, and hot pepper.

With the opening of the rice market alone, South Korea's farming for this year was completely spoiled. Hundreds of thousands of farmers gave up farming and left their rural areas. It is estimated that the loss and damage resulting from the market opening of the 14 items of basic farm produce will amount to be 50 percent more than that resulting from the rice market opening. This shows how serious the consequences will be.

It is evident to everyone that if the motion ratifying membership in the WTO and the special law on implementing the WTO are passed in South Korea, foreign countries will further intensify pressure on market opening, leading various economic sectors, including agriculture, to a catastrophic crisis. Therefore, broad segments of South Korean people, including farmers, branded traitor Kim Yong-sam as another Yi Wan-yong and waged persistent struggles against the parliamentary ratification of this reactionary bills. This also led to the greatest political confrontation between the ruling and opposition parties, and the ratification of the bills remained pending at the National Assembly for a long time.

Nevertheless, the Kim Yong-sam ring ignored the people's just demands and railroaded the bills. This is the worst crime which gravely threatens the existence not only of millions of farmers but also tens of millions of people, and furthermore leaves them as slaves to foreign rice and slaves to foreign monopolistic capital.

It is well known that traitor Kim Yong-sam raved before and after he came into power, pretending that he would do something to rescue the perishing rural areas, that he would make the rural areas a place where farmers chose to return to rather than leave. However, his railroading of the reactionary bills in the wake of opening the markets for rice and other kinds of farm produce is a good indication of the deceptiveness of the tricks he employs.

The Kim Yong-sam ring is a filthy ring of flunkeyist traitors who do not hesitate to sell out on the country and national interests for their personal comfort, wealth, and distinction. They are a ring of traitors who have turned against the people.

Because of the puppet clique's traitorous and national-selling act, surplus foreign farm produce will rush into South Korea. As a result, South Korea's subjugation to foreign forces will be further deepened, and the life line of millions of farmers will be cut off.

However, those who committed the unpardonable crime, the traitorous ring which turned against the people, cannot last long. The South Korean farmers warned that if the puppet traitor continues to betray them, they will all give up farming to wage a movement to force Kim Yong-sam out of power.

Because they committed the crime of railroading the reactionary bill, the Kim Yong-sam ring will meet with greater resistance from the people and pay a dear price.

Paper Urges Reunification Through Program

SK2012104594 Pyongyang KCNA in English 1012 GMT 20 Dec 94

[“NODONG SINMUN Calls For Achieving National Reunification Through Great Unity of Whole Nation”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—The correct path of achieving true reconciliation and unity of our nation and reunification in the 90s lies in firmly maintaining and thoroughly implementing the 10-point programme of the great unity of the whole nation put forward by the respected leader Comrade Kim Il-song, says NODONG SINMUN in a by-lined article today.

Stressing that the division of our nation must be ended by the internal force of our nation under any condition, the article says: In order to achieve the reunification of the country at an early date by the internal force of the nation, the whole nation should closely unite as one, transcending differences in ideology, idea, system and religious belief.

The 10-point programme of the great unity of the whole nation clearly indicates to our fellow countrymen a short cut to national reunification by giving a comprehensive exposition of the foundation for the close unity of our homogeneous nation and its general goal, principles and ways.

Achieving unity on the basis of patriotism and the spirit of national independence stands out as a more urgent requirement today when the flunkeyist treacheries of the anti-reunification implements within the nation are growing more wanton. With the Kim Yong-sam group left alone, the great unity of the whole nation and the peaceful reunification on the country cannot be expected and the nation cannot escape the holocaust of a nuclear war.

The entire fellow countrymen in the North, South and overseas should valiantly wage a nationwide struggle to decisively remove the Kim Yong-sam traitorous clique

with united strength. The compatriots at home and abroad who want reunification should closely unite under the national alliance for the country's reunification and more powerfully wage the nationwide patriotic movement for reunification.

Japan Denounced for Accelerating Armament

*SK2012042594 Pyongyang Korean Central
Broadcasting Network in Korean 0630 GMT 19 Dec 94*

[Unattributed talk: "Nothing Can Conceal Japan's Nuclear Ambition"]

[FBIS Translated Text] Japan is shamelessly making desperate efforts to conceal its nuclear armament, avoiding worldwide caution against it. This is shown by the "White Paper on Atomic Energy 1994" recently released by Japan's Atomic Energy Commission.

The white paper noted Japan's nuclear policy is aimed at using nuclear energy for peaceful purposes and reported the quantity of plutonium accumulated by Japan in a much smaller figure than actual, stressing Japan has no surplus plutonium. By this knavish means [ollimsu], Japan cannot remove the world's serious concerns about its nuclear armament.

In the white paper, the Japanese authorities enumerated various ways of peaceful use of atomic energy. However, this is nothing but a cunning trick aimed at deceiving public opinion at home and overseas under a cloak of peace and accelerating their nuclear armament behind the curtain.

The Japanese authorities' noisy propaganda is saying that if they use atomic energy only for peaceful purposes, it is in striking contrast to and entirely different from the Japanese reality. The quantity of plutonium Japan has recently reported is much smaller than that which it actually possesses and cannot win anyones consent.

It is an open secret revealed by Japanese publications and U.S. atomic energy research institutes that Japan has accumulated tons of plutonium in the country at present and tries to increase it up to 100 tons by 2010. The Japanese magazine BUNGEI SHUNJU exposed that the amount of plutonium accumulated by Japan had already reached 26 tons several years ago. (Takagi Chinjabro), a nuclear physician, stated Japan will have more plutonium than the United States and Russia early in the 21st century.

Despite these facts, Japan is saying it has a small amount of plutonium and explaining that its plutonium is being used only for peaceful purposes. This is indeed pulling the wool over the world's eyes [igoya mallo nungamgo aunghanun kyogimnida]. It is Japan's unchanged ambition to become a power that has a large amount of plutonium and to accelerate its nuclear armament.

In fact, attempts to politicize and legalize nuclear armament are openly being made in Japan, opposing and

distorting the peace constitution that prohibits possession of nuclear weapons. There was even the absurd remark that it is needless to be bound by the three principles on denuclearization.

Japan has accumulated an enormous amount of plutonium and is ready to become a nuclear power all of a sudden. Now it is madly sharpening its nuclear teeth [chigum michindusi haek ipparul kalgo issumnida]. It is known to the world that Japan even prepared a secret document on the need to possess the capability of manufacturing nuclear weapons and has already developed fissionable materials, the technology to produce them, and the means to transport nuclear weapons, cutting firmly through a road to the possession of strategic nuclear missiles.

All this enables us to be aware that the peace Japan is repeatedly calling for is treacherous sham peace and is nothing but a cloak aimed at legalizing its nuclear armament. Japan cannot conceal its ambition of nuclear armament with the cloak of peace. It is Japan's particular cunning trick that, while being engaged in full-pledged acceleration of nuclear armament and pursuit to become a nuclear power, it always pretends as if it were innocent in front of the world.

Japan's nuclear armament poses grave threats to peace and security of Asia and the world. It is very natural for the people in Asia and the world to express great concerns about Japan's nuclear armament maneuver and to increase alertness against it. Japan should be clearly aware that the nuclear armament will result in its ruin and should behave itself, looking correctly at the current trends.

Society for 'Past Crimes' Created in Japan

*SK2012043394 Pyongyang KCNA in English 0409
GMT 20 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 19 (KCNA)—A society for preserving the Koyoen underground shelter was inaugurated in Nishinomiya, Hogo Prefecture, Japan, on December 8 to keep the site of an underground factory of Koyoen excavated by Koreans who were forcibly drafted toward the end of World War II as a historic remain exposing the crimes of the Japanese imperialists in the past.

Koreans under the General Association of Korean residents in Japan (Chongnyon) and Japanese who participated in the inaugural meeting decided to demand that the Japanese Government and local autonomous body preserve this underground shelter and open it to the public.

Hong Sang-chin, general secretary of the central office of the investigation group on the forcible drafting of Koreans, in his lecture at the meeting, called for intensifying the movement for the preservation of those sites of factories, noting that it is important to correctly

convey the past history at a time when such sites are disappeared in various parts of Japan.

Then, Shinya Tomomatsu, a member of the prefectural assembly in charge of the general affairs of the society, made a report and explained the programme of activity.

According to him, 40 odd prominent scholars and intellectuals of Japan had become supporters of the society.

All-China Women's Delegation on Visit

*SK2012044194 Pyongyang KCNA in English 0412
GMT 20 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 19 (KCNA)—Kim Chung-nin, secretary of the Central Committee of the Workers' Party of Korea [WPK], met and had a friendly talk with the delegation of the All-China Women's Federation headed by its Vice-President and First Secretary of its Secretariat Huang Qizao at the Mansudae Assembly Hall today.

The head of the delegation said that the death of the great President Kim Il-song was a deep sorrow to the Korean people as well as the Chinese people and that his revolutionary feats would shine forever.

He pointed out that he was deeply moved to see the achievements made by the Korean people in the socialist construction under the wise leadership of the great President Kim Il-song and dear Comrade Kim Chong-il.

He sincerely wished the Korean people greater success in the socialist construction under the wise guidance of the great leader Comrade Kim Chong-il and said that China-Korea friendship would be everlasting.

Anniversary of Korea-Cambodia Relations Marked

*SK2012045694 Pyongyang KCNA in English 0428
GMT 20 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Papers here today observe the 30th anniversary of the establishment of diplomatic relations between Korea and Cambodia.

The establishment of diplomatic relations between Korea and Cambodia at the ambassadorial level was a manifestation of the common desire and purpose of the two peoples to advance shoulder to shoulder in the struggle to build a free and prosperous new Asia in the idea of independence, peace and friendship, NODONG SINMUN in a signed article today says, and continues:

Korea-Cambodia friendship has steadily strengthened and developed on a high level as it has been based on the intimacy between the great leader Comrade Kim Il-song and His Majesty Respected Norodom Sihanouk, King of Cambodia.

Today the Cambodian people under the correct leadership of His Majesty King Norodom Sihanouk have

registered signal achievements in the struggle to build a free and prosperous new society.

The royal government and people of Cambodia, setting it as a major goal to achieve security, stability and peace of the country, are working hard to achieve national reconciliation and unity.

The Cambodian Government is developing friendly and cooperative relations with the countries in Asia and the rest of the world and has already established diplomatic relations with more than 50 countries.

The Korean people sincerely rejoice over the achievements made by the Cambodian people and express full support to and solidarity with their just cause.

MINJU CHOSON in a signed article says:

The Korean people wish the Cambodian people greater success in the building of a new society and believe the friendly and cooperative relations between the two countries will grow in scope and strength.

Papers Mark Anniversary of Swiss Ties

*SK2012104494 Pyongyang KCNA in English 0957
GMT 20 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Papers here today dedicate articles to the 20th anniversary of the opening of diplomatic ties between Korea and Switzerland.

NODONG SINMUN in a by-lined article says the establishment of diplomatic ties between the Democratic People's Republic of Korea and the Swiss Confederation marked an important occasion in deepening the understanding and developing friendly relations between the two peoples.

Since the establishment of diplomatic ties, the understanding between the two peoples has been further deepened and their friendly relations developed favourably, it adds.

MINJU CHOSON in a signed article says the Korean people will as ever strive to expand and develop the friendly and cooperative relations between the two countries under the motto of independence, friendship and peace.

Kim Chong-il's Work Studied Abroad

*SK2012044394 Pyongyang KCNA in English 0414
GMT 20 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—A seminar on the dear leader Comrade Kim Chong-il's famous work "Socialism Is a Science" was sponsored by the Oriental Philosophy University of Mongolia, the Mongolia-Korea Friendship Association and the Mongolian Centre for the Study of the Chuche Idea.

Speakers said that dear Comrade Kim Chong-il is developing and enriching the *chuche* idea founded by the great leader Comrade Kim Il-song and that the work expounds in an overall way that socialism is a science.

Seminars on the work were also held by the Tanzanian Group for the Study of Kimchongilism and the Ghana Institute of Journalism Branch of the Ghanaian National Institute of the *Chuche* Idea.

A lecture on the work was given by the Communist Party of Cameroon.

Daily Stresses Loyalty to Kim Chong-il

SK2012045294 *Pyongyang KCNA in English* 0442
GMT 20 Dec 94

["KPA Is Revolutionary Armed Forces Unfailingly Loyal to Respected Comrade Supreme Commander"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Comrade Kim Chong-il, the great leader of our party and people, was elected supreme commander of the Korean People's Army [KPA] at the historical 19th plenary meeting of the sixth Central Committee of the Workers' Party of Korea held in December 24, 1991. This was the realization of the unanimous desire of all the KPA officers and men and people and an epoch-making event of great significance in the building of our revolutionary Armed Forces and the accomplishment of the revolutionary cause of *chuche*.

NODONG SINMUN today declares this in a by-lined article titled "Our People's Army Is Revolutionary Armed Forces Unfailingly Loyal to Respected Comrade Supreme Commander."

The course of the advance of the revolutionary Armed Forces with Comrade Kim Chong-il, supreme commander, at their head, has been chronicle of further growth of the invincible might of our People's Army, says the article.

It quotes the great leader Comrade Kim Il-song as saying:

"The officers and men of our People's Army and the entire people enthusiastically welcomed with great joy the election of Comrade Kim Chong-il as supreme commander of the Korean People's Army. With him elected supreme commander, the might of our People's Army has been further increased and the spirit of our people boosted still further."

The invincible might of our People's Army is fully demonstrated, above all, in that the soldiers are staunchly fighting with the loyal oath to become rifles and bombs for defending general Kim Chong-il with their lives, the article says, and continues:

General Kim Chong-il, respected supreme commander, is the destiny of our party and revolution, our country

and people, and our People's Army and the banner of the victory of our-style socialism.

The officers and men of our People's Army, through their practical struggle, regard as their faith the philosophical principle that they do no need to be afraid of any formidable enemy but will surely emerge victorious because they are guided by Comrade Kim Chong-il with brilliant intelligence, outstanding strategy, matchless grit, iron will and distinguished art of leadership.

This great spirit gripping the whole Army is the noblest one in the long and glorious history of our revolutionary Armed Forces. It is a powerful strength which enables the heroic KPA to greet a great heyday in its development. Nowhere else one can see such units of loyalty with all the soldiers entrusting all their destinies entirely to their leader, valuing like their own lives the monolithic leadership of comrade supreme commander and staunchly fighting with the determination to become rifles and bombs to defend him with their lives.

The invincible might of our People's Army is clearly manifested also in that the whole Army has become iron-willed units rallied in one mind around comrade supreme commander.

The great single-hearted unity of our Army is a unity in thought and purpose of all the officers and men with the idea and will of comrade supreme commander as their faith. It is also an eternal unity in which they will vigorously fight in one mind, overcoming any difficulties together.

The invincible might of our People's Army also finds a vivid manifestation in that all the officers and men are invariably keeping in their mind the revolutionary resolution to remain faithful to the cause of Comrade Kim Chong-il in any circumstances.

His cause is a noble one of triumphantly advancing and bringing to completion the socialist cause of *chuche* started by the respected leader President Kim Il-song.

The faith and will of our Army to accomplish the cause of dear Comrade Kim Chong-il with the great pride of having him at the top of our revolutionary Armed Forces will never change in any adversity.

The invincible might of our People's Army finds another expression in that an unshakable revolutionary morale has been established in the whole Army, the morale of unconditionally fulfilling the orders of comrade supreme commander to the letter without the slightest deviation.

This morale is a steadfast faith in his orders, a strong discipline for their thorough implementation and a mighty spirit in which the whole Army rises up like a mountain.

The unity in thought and purpose and the unanimity in action in which the whole Army moves as one under the orders of comrade supreme commander—this is the proud looks of our People's Army.

It is the great pride and glory of our party and people to have the units of loyalty, the heroic Korean People's Army with all its officers and men moving as one, closely united in one mind around general Kim Chong-il, our supreme commander.

Article Stresses Fulfillment of Leader's Cause

SK1912133694 Pyongyang MINJU CHOSON in
Korean 20 Nov 94 p 2

[Article by Choe Chong-hon: "It Is Our People's Firm Will To Fulfill the Great Leader's Revolutionary Cause Generation to Generation"]

[FBIS Translated Text] In his message of thanks to all the people who expressed deep condolences on the passing of the great leader Comrade Kim Il-song, the dear leader Comrade Kim Chong-il expressed great expectations and confidence that they will wage a more vigorous struggle to brilliantly complete the chuche revolutionary cause on which the great leader concentrated so much of his efforts and energy till the last moment of his life. Now our people are pledging themselves more firmly to fulfill the chuche revolutionary cause under the comrade leader's leadership generation after generation bearing deep in their hearts the great confidence the comrade leader [suryong] held in them.

The dear leader Comrade Kim Chong-il has noted: With the revolutionary ideology of the great leader Comrade Kim Il-song as its sole guiding policy, our party will resolutely adhere to the chuche revolutionary tradition and immortal revolutionary achievements made by the leader [suryong] and fulfill the chuche revolutionary cause pioneered by the leader [suryong].

The will to fulfill the leader's revolutionary cause is a noble ethos that the people engaged in the revolution must have.

The revolutionary cause of the working class is the leader's [suryong] cause which is pioneered, advanced, and completed under the leader's [suryong] leadership, and it is a noble historical cause that is carried out through generations. Therefore, to attain the ultimate victory of the revolutionary cause, we must inherit the leader's revolutionary cause to the end generation after generation, and the loyalty to the leader [suryong] should be demonstrated in the practice struggle to realize the leader's cause. For the people who grew up to be revolutionaries and enjoyed their true life in the leader's bosom, nothing is more honorable and rewarding than to devote themselves to the realization of the leader's cause. To hold the revolutionary will to fulfill the leader's cause and be loyal to the leader [suryong] wholeheartedly is the proper duty of the revolutionaries, and only those who fulfill this duty can carry out the duty of the revolutionary.

The revolutionary will to fulfill the leader's revolutionary cause can be held only by the people who are deeply aware of the leader's greatness and adore the

leader [suryong] absolutely. The people should hold this invariable faith and will so that they can advance firmly along the single road of the revolution consistently in rain or shine.

The people's revolutionary will to fulfill the leader's cause must be maintained consistently throughout the entire course of the struggle, and it must be cherished even more firmly under the circumstances in which the leader [suryong] has departed from us. By so doing, we can further solidify the ties of kinship between the leader [suryong] and the people and vigorously advance the revolutionary cause to attain shining victory.

As they victoriously made their way through the arduous and rewarding course of the revolution in the past, upholding the great leader [suryong] at their head, our people today continue to be the loyal people who vigorously struggle with invariable revolutionary will to fulfill the leader's revolutionary cause. Our people's will to fulfill the respected and beloved leader's revolutionary cause was highly displayed during the days of mourning. Our people who led their lives believing in the fatherly leader [suryong] like heaven have expressed deep condolences, visiting the leader's statue at Mansudae Hill or other places with a historic background, whether it was on a rainy day or at midnight, with welling-up sorrow and heart-touching adoration, all becoming mourners since the time they heard the shocking sad news of the leader's passing up to today. During these days, our people felt all the more keenly what a great leader they had and what a great leader they were blessed with and made loyal pledges again and again to uphold the great leader forever and fulfill the chuche revolutionary cause generation after generation. This clearly proves the purity of the noble revolutionary morality of our people.

Our people's will to complete the great leader's revolutionary cause to the end generation after generation is expressed in the fact that they, considering the leader's [suryongnim] revolutionary ideas to be a guideline, are resolutely protecting and defending the leader's [suryongnim] achievements.

The leader's [suryong] revolutionary cause is completed in the course of protecting and defending the leader's [suryong] ideas and achievements and glorifying them. The leader's [suryong] ideas are an immortal banner that elucidates the course of the revolution, and the leader's [suryong] achievements are the revolution's ever-lasting assets for a victory in the revolution and the prosperity of the fatherland. Therefore, protecting and defending the leader's [suryong] ideas and achievements is a key factor in inheriting the leader's [suryong] revolutionary cause and completing it generation after generation.

Respected and beloved Comrade Kim Il-song was a great leader [suryong] who devoted himself to the people's freedom and happiness throughout his life and brought about immortal achievements for the fatherland and the people and the era and history.

In the long course of cultivating the chuche socialist cause and victoriously advancing it, the great leader created the immortal chuche idea, which brilliantly elucidates the future path of the era of independence; built a powerful socialist country of independence, self-sufficiency, and self-reliant defense on this land with the brilliant rays of the chuche idea; and brought about immortal achievements that will shine eternally for centuries. The chuche idea, which the great leader created, and his achievements are an eternal cornerstone of our revolution and a valuable asset that our party and people must glorify generation after generation.

Our people are now filled with a firm resolve to treasure the great leader's revolutionary ideas and immortal achievements and endlessly glorify them. Our people are upholding the slogan "Let us thoroughly arm ourselves with the great leader Comrade Kim Il-song's revolutionary ideas!"; comprehensively, systematically, and profoundly study the great leader's works and teachings to make them their bones and flesh, and thoroughly implementing them in actual activities. They are also cherishing the immortal achievements—which the great leader devotedly brought about in political, economic, cultural, military, and all other fields until the last moment of his life—as an invaluable asset and making dedicated efforts to take good and cordial care of revolutionary battlefields, historical revolutionary sites, and units of on-the-spot guidance and further glorify them. Our people, who are unanimously participating in the noble struggle to implement the great leader's behest after considering it to be their lifelong motto, are highly displaying the spirit of rushing to coal mines, mines, plants, and rural areas where there are historical sites of the leader's [suryongnim] leadership and briskly working to solve problems that the leader [suryongnim] wanted to be solved.

A creative and innovative spirit is being displayed at every site of socialist construction, and all people and officers and men of the People's Army across the country are whole-heartedly singing the song "We are Determined" and resolutely fighting. This thrilling reality at present clearly shows the strength and steadfastness of our will to resolutely protect and defend the great leader's ideas and achievements and complete the chuche revolutionary cause to the end.

Our people's firm will to complete the great leader's revolutionary cause to the end generation after generation is also demonstrated in upholding the dear leader Comrade Kim Chong-il with loyalty, devotion, and single-mindedness.

The working class's revolutionary cause is inherited and completed by a great leader [yongdoja] boundlessly loyal to the leader [suryong]. Therefore, if we are to complete the leader's [suryong] revolutionary cause to the end generation after generation, we must uphold and follow the leader [yongdoja].

The dear leader Comrade Kim Chong-il is a great leader [yongdoja] who is leading the great leader's [widaehan suryong] revolutionary cause to a victory.

For a long time our people have called Comrade Kim Chong-il—who inherited all dispositions of the leader's [suryongnim], most highly embodied all traits and qualities for leadership that a political leader [suryong] should possess, is boundlessly loyal and devoted to the leader's [suryongnim] revolutionary cause, has an endless love for the people, and is leading our revolution to a single road of victory and honor—"dear comrade leader," respected him, and upheld the dear comrade leader as a great leader [yongdoja] of the chuche revolutionary cause.

Our people has a firm revolutionary will to uphold the dear leader Comrade Kim Chong-il as the great leader [yongdoja] of our party and revolution and complete the chuche revolutionary cause to the end. Through actual lives our people feel in their hearts how fortunate it is for them to uphold the dear comrade leader on the vanguard of the chuche revolutionary cause. They also are filled with a firm resolve and will to uphold the dear comrade leader's leadership with loyalty, devotion, and single-mindedness and complete the leader's [suryongnim] revolutionary cause to the end generation after generation.

Our people, who keenly feel the greatness of the dear comrade leader, have the firm belief that we will win a victory without fail and the socialist fatherland has a bright future because there is the dear comrade leader and believe and follow the dear comrade leader as their father [oboi] and spiritual support. All our people, from those of the first generation of the revolution who walked along a long road of bloody anti-Japanese battles to those of the new generation who grew happily, are upholding the dear comrade leader at the center of unity and leadership, living and thinking always according to the comrade leader's ideas and intentions, and thoroughly implementing the dear comrade leader's lines and policies on the principle of absoluteness and unconditionality. Today, our people are vigorously marching forward, while shouting the slogan "What the party decides, we will do!" and singing the song "We Will Win Only if You Are With Us!". This is the manifestation of their firm will to resolutely walk along thousands or tens of thousands of ri of the revolutionary road under the dear comrade leader's leadership and glorify our fatherland into a chuche-oriented socialist fatherland that will prosper and develop with the dignified name of the great leader [yongdoja].

All functionaries and workers must cherish deep in their hearts the slogan "The great leader Comrade Kim Il-song will always be with us" and resolutely fight to complete the chuche revolutionary cause to the end under the dear comrade leader's leadership.

People Urged To Uphold Party's Basic Slogans

SK2012051394 Pyongyang MINJU CHOSON in
Korean 16 Nov 94 p 1

[Editorial: "Let Us Even More Highly Uphold the Party's Basic Slogans"]

[FBIS Translated Text] The dear leader Comrade Kim Chong-il keenly envisaged the urgent practical demand of our revolution, the organizational intent of the entire party, and our people's aspiration and desire and presented afresh the party's basic slogans: "The great leader Comrade Kim Il-song is with us forever" and "Let us more thoroughly arm ourselves with the great leader Comrade Kim Il-song's revolutionary ideas." To thoroughly implement the party's new basic slogans is important in overcoming the great sorrow of losing the great father, with faith and will, in rising up to effect constant upswings in socialist construction, and in vigorously advancing the *chuche* revolutionary cause.

The dear leader Comrade Kim Chong-il noted:

"The slogans will exert great influence in arming the party members and working people with the leader's [suryongnim] revolutionary ideas and in arousing them to implement the party policy."

The party's basic slogans are a powerful means to encourage and drive our people to carry out a colossal struggle.

The party's basic slogans elucidate the road ahead of our people's struggle to cope with environments of our revolution, and intensively reflect the party's intent to continue to vigorously push ahead with the revolution and construction, without the slightest deterioration or debasement. Nothing is more honorable and worthwhile to our functionaries, who have grown up as leading members of the revolution under the party's great trust and consideration and are now working at economic organizations of the state, than making the party's basic slogans bear fruit by thoroughly implementing them.

The great leader's death is our people's greatest loss and sorrow in history lasting thousands of years. Our people wailed for the lost of the benevolent father, being the most depressed, with irresistible grief and bitterness. Indeed, the whole country was weeping, and the whole world was weeping over the death of the respected and beloved leader.

The tear drops our people shed while missing the great leader's benevolent appearance after regrettably losing the outstanding man produced by mankind were not only for sorrow, but were the expression of their iron-firm faith and boundlessly fervent and pure pledge to consummate the *chuche* revolutionary cause by more faithfully upholding the dear leader Comrade Kim Chong-il's leadership. Although the heart of the peerless man, the great father, stopped beating, our people swore a solemn oath of loyalty, shedding tear drops, that they

will eternally uphold the respected and beloved Comrade Kim Il-song as the great leader, live according to the leader's ideas, and glorify the fatherland with the leader's will.

The party's basic slogans presented afresh by the dear comrade leader reflect the demand of our developing revolution and our people's sublime desire.

The party's new basic slogans are revolutionary slogans that have embodied our people's keen desire to highly uphold the great Comrade Kim Il-song as the eternal leader of our revolution.

The respected and beloved leader Comrade Kim Il-song created the immortal *chuche* idea, led our people's revolutionary struggle to a brilliant victory, with the brilliant beams of the *chuche* idea, brilliantly realized the historic cause of building the party, the country, and the Army, and wisely led the socialist construction, achieving immortal achievements that shine with the century. There are many great men in history who are famous for their distinguished achievements and talents. However, there has never been such a great man as our respected and beloved leader who accumulated immortal achievements for the time and mankind with his extraordinary natural disposition and virtue. All epochal changes in our fatherland and the proud victory of our revolution are linked with the great leader's respected name. It was our people's greatest luck and honor to uphold the leader at the top of our party and revolution for almost 70 years.

During the mourning period, our people realized deep in their hearts what a peerless great man they had as the leader [suryong]. They felt more dearly the value of the leader in achieving the victory of the cause of independence. Our people do not think the leader has left us but think he is still with us and will be with our people forever. The basic slogans newly presented by the dear comrade leader reflect the seething ardent hearts of our people, who endlessly admire the great leader and want to be with the leader forever.

The new basic slogans of the party are also revolutionary slogans containing the respected and beloved leader's will of his lifetime.

It was the respected and beloved leader's character to always be with the people and devote everything for the happiness of the people. There was no peerless great man and father of the people in history like our respected and beloved leader, who suffered all kinds of storm and hardship, confronted arduous trials and difficulties with his body, and endeavored sleepless and restless efforts only for the freedom and happiness of the people. Until the last moment when his heart stopped beating, the great leader was with the people, sharing joy and sorrow with them, and bestowed all sorts of efforts and devotion for the prosperity of the country and the happiness of the people. The party's new basic slogans can only be presented by the dear comrade leader, who has a deep

understanding of the character of the respected and beloved leader, who is always with the people.

The succession of the revolutionary cause is the succession of ideology. Our revolutionary struggle is a sacred struggle to implement the great leader Comrade Kim Il-song's revolutionary ideology. Therefore, to achieve the victory of the revolutionary cause, all the people must be more thoroughly armed with the great leader's revolutionary ideology. The dear comrade leader newly presented the basic slogans to more thoroughly arm all the people with the leader's [suryong] revolutionary ideology under today's circumstances, in order to brilliantly fulfill the far-seeing objective of the respected and beloved leader, who wanted to complete the chuche revolutionary cause to the end.

The party's new basic slogans truly contain the iron will and lofty intention of the dear comrade leader, who wants to highly uphold the great Comrade Kim Il-song forever as the leader of our revolution and to complete the chuche revolutionary cause to the end as intended by the leader. The slogans have become the exact will and thorough faith of our party, and immortal banners that strongly encourage and propel the struggle of our people, who have taken the road of a new march.

The party's new basic slogans have great political and dynamic significance in terms of vigorously pushing forward the overall sphere of revolution and construction. When the entire party, the entire country, and all the people uphold the slogans and thoroughly implement them, our revolutionary rank can be strongly consolidated as the crystal of faithful loyalty and filial piety, and our party and Republic can be further glorified as the party and Republic of the respected and beloved leader Comrade Kim Il-song forever.

All functionaries of state economic organs should engrave deep in their hearts the party's basic slogans newly presented by the dear comrade leader and thoroughly establish the revolutionary ethos to live and work with the spirit of the slogans anytime, anywhere.

What is most important for functionaries of state economic organs to live and work with the spirit of the slogans, is to uphold the dear leader Comrade Kim Chong-il with loyalty.

For our people, the respected and beloved leader Comrade Kim Il-song is the dear leader Comrade Kim Chong-il, and the dear comrade leader is the great leader. Our people have risen up in the grand march to effect upsurges in socialist construction, replacing their sorrows with courage and strength. Things that are kept valuably inside our people's hearts are steadfast determination and a grim oath to uphold the dear leader Comrade Kim Chong-il and to thoroughly implement the respected and beloved leader's lifetime wishes. Endlessly cherishing an unchangeable belief and upholding the dear leader Comrade Kim Chong-il with single-hearted unity are the fundamental guarantees to

complete the chuche revolutionary cause to the end, to glorify the leader's ideas and achievements for ages to come, and to endlessly uphold the dear leader Comrade Kim Chong-il as the leader [suryong] of our revolution.

Functionaries of the state economic organs should cherish in their hearts the absolute respect for the dear comrade leader and place him at the head of the party and the revolution with all loyalty and filial duty that were not rendered to the respected and beloved leader. Functionaries of the state economic organs should believe the dear comrade leader as their father and as a spiritual pillow under whatever circumstances, should renew their determinations to share their life and death with the dear comrade leader, and should struggle to clearly and stoutly defend the dear comrade leader's prestige and power by devoting their all.

Functionaries of the state economic organs should unflinchingly set up strong discipline and order by which the people move as one under the dear comrade leader's unitary leadership. In addition, they should set up the ethos of unconditionally carrying out the ideas and principles of the dear comrade leader without any vacillation, and responsibly carry out the revolutionary duty entrusted by the party with such determination that they could die while defending their posts. By doing so, they should repay the party's trust and expectation with tangible work achievements; make the leader comrade leader happy; brilliantly realize the party's intentions in overall sectors of the socialist construction; and should vigorously march ahead the socialist cause in accordance with the party's intentions.

Also important in living and working in the spirit of the party's new basic slogans is that functionaries of the state economic organs should in every way strengthen the single-hearted unity centered on the dear comrade leader.

The mourning period was the time in which the might of single-hearted unity around the leader [suryong], the party, and the masses was fully displayed. During this period, all the people across the country wept bitterly at the loss of the nation's great father, and the flow of the people who were expressing condolences before the great leader's status has become a large river. In addition, during the mourning period, the facts that there are no other people in the world like our people who absolutely support and trust their leader and who have such warm feelings of deep reverence for the leader [yongdoja] have been clearly demonstrated.

Our people did not just cry in deep sorrow. Our people came to realize what the most sorrowful thing and the most precious thing are and how they should uphold their leader [suryong]. They renewed their determination and will thousand times to complete without fail the chuche revolutionary cause by following the great leader [yondoja] and to never forget their leader [suryong].

Our people's revolutionary will to defend the tradition of the single-hearted unity like the apple of an eye; to

uphold the dear leader Comrade Kim Chong-il as the center of the unity; and to complete the *chuche* socialist cause to the end is unmovable. During the mourning period, the dear leader Comrade Kim Chong-il overcame the greatest sorrow, which could not be compared to that of our people, embraced all of our people under the endless bosom of love; and wisely led the whole party, all the people, and the entire Army. After seeing his glorious appearance, our people have powerfully risen up, swallowing their emotion and tears and overcoming their sorrows with courage and strength.

Whether during days of peace or days of arduous struggle, our people have faith in and follow only the dear comrade leader, and are firmly united around the comrade leader through ideological will and a moral sense, embraced with the sheer desire to fulfill the unchanging faith and filial piety along the road of following the comrade leader's leadership. This kind of single-hearted unity is based on the fascination and absolute faith in the greatness of the dear comrade leader and on having keenly felt the immortal achievements achieved by the comrade leader. This is becoming invincible which cannot be smashed [*kkaetturida*] or destroyed by anything. Therefore, today's single-hearted unity is becoming an immortal banner for the victory of the *chuche* revolutionary cause and an infinite driving force of power.

Functionaries of the state economic organs must always play the core role in strengthening the single-hearted unity of the revolutionary ranks and take the initiative than anyone else. Then, they must also go deeply into the masses and vigorously carry out the political work among them to rally the broad masses closely around the party like bed-rock and make efforts in every direction to strengthen our single-hearted unity in accordance with the demand of the revolutionary development. Therefore, our single-hearted unity must be all the more consolidated like bed-rock into an invincible unified body united together between the dear comrade leader and the people.

What is also important for the functionaries of the state economic organs to live and work according to spirit of the party's new slogan is to bring about a great upsurge in socialist construction and further elucidate the superiority of socialism of our own style.

The respected and beloved leader Comrade Kim Il-song's lifetime teaching brings about a new upsurge in socialist construction and is a guiding principle in achieving the victory of socialist cause ahead of schedule. Only when the respected and beloved leader's lifetime teaching is brilliantly realized can endless innovations be brought about in the overall socialist construction sector and further accelerate our advance movement.

Functionaries of the state economic organs must actively help and lead the broad workers who are brilliantly putting into practice their determination to bring about

a great upsurge in socialist construction by keeping the promise pledged before the bier of the great leader, and carry out the work to change the masses' upsurged enthusiasm to great material strength.

Functionaries of the state economic organs must closely establish measures to thoroughly implement the respected and beloved leader's lifetime teaching; strongly push ahead in executing it; and skillfully organize and mobilize the masses to implement the party's policy. The economic organizational work to actively accelerate production and construction must be carried out substantially; responsibility and originality must be highly manifested in economic guidance and enterprise management; a breakthrough must be opened in the march onward by setting examples; and actively engage in the work to fulfill the duties with a vigorous intention. In particular, in implementing the party's economic strategy, functionaries of the plants and enterprises must improve organizational command and devotedly struggle to fulfill without fail the policy tasks that they are entrusted with at the appropriate time by highly upholding the banner of self-reliance.

Today, our party anticipates that the functionaries of the state economic organs will become true revolutionaries possessed with the basic nature of loyalty, devotedness, and sincerity. Functionaries of the state economic organs must vigorously carry out the struggle to revolutionize themselves according to the party's intention so that they can be endlessly loyal to the party and the leader, devote themselves in fulfilling the revolutionary duties, and firmly prepare themselves to be loyalists, dutiful children, and true servers sincerely working for the people.

Functionaries of all the state economic organs must all the more highly uphold the party's basic slogan which was newly presented by the dear comrade leader and thoroughly embody it so that the respected and beloved leader's immortal achievements and his intention of when he was alive will be elucidated generation after generation and continue to vigorously advance socialist cause of our own style.

Kim Chong-il Transforms Cooperative Farm

*SK2012104694 Pyongyang KCNA in English 1018
GMT 20 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—The dear leader Comrade Kim Chong-il has taken a historical measure of turning the cooperative ownership in the agricultural domain in Manghongdae District, Pyongyang, into public ownership, bringing the Mangyongdae District state farm into being.

Incorporated in the state farm are all the cooperative farms and state enterprises serving cooperative economy in the district, with the result that the cooperative farms have become its branch farms and the enterprises its workshops.

The district has successfully resolved the difficult and complicated problems in the guidance and management of the rural economy on the principle of collectivism through efforts to bring into full play the advantages of the new agricultural guidance system with the cooperative farm management committee as its backbone, the system established by the great leader President Kim Il-song and the differences between industry and agriculture in management and the ownership of means of production have been narrowed gradually and the conditions and possibility for bringing cooperative farms under public ownership have ripened.

At the national agricultural conference held in February, President Kim Il-song said that the work of turning cooperative ownership into public ownership by consolidating and developing the agricultural cooperative economics would be carried out gradually depending on the maturity of all conditions and possibilities.

Comrade Kim Chong-il took the afore-said historical measure with a scientific insight into the demand of the developing reality in which the consciousness of the agricultural working people in the district has been enhanced remarkably and the technical revolution in the countryside is near completion. The employees of the state farm met on December 19 to vow to more fully display the advantages of public ownership, true to the plan of President Kim Il-song and Comrade Kim Chong-il for socialist rural construction.

They discussed measures to vigorously carry on the three revolutions, ideological, technical and cultural, as indicated by President Kim Il-song in the theses on the socialist rural question in our country and his letters on the national agricultural conference "For the ultimate solution of the rural question under the banner of the socialist rural theses."

They adopted a letter to Comrade Kim Chong-il at the meeting.

Centenarian Receives Gift From Kim Chong-il

SK2012102194 Pyongyang KCNA in English 1003 GMT 20 Dec 94

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Dear Comrade Kim Chong-il, the great leader of our party and people, sent a centenary birthday table to Kim Ssangamae residing in Nakwon County, South Hamgyong Province.

On December 19, the old woman and her family and relatives, upon receiving the birthday table, could hardly repress their emotion at the benevolence and loving care of the dear leader Comrade Kim Chong-il who devotes his all to the happiness of the people and [word indistinct] shows solicitude for them, under the motto of "To believe in the people as in heaven".

Editorial Urges Enhanced Role for Counties

SK2012055594 Pyongyang MINJU CHOSON in Korean 19 Nov 94 p 1

[Editorial: "Let Us Further Improve the People's Standard of Living by Enhancing the Counties' Role"]

[FBIS Translated Text] The dear leader Comrade Kim Chong-il has stated that it has become an important matter to effect upturn in improving the people's standard of living and in enhancing the counties' role in conformity with the practical demands of the consolidated socialist construction. Thus, he has clearly put forward tasks and plans to achieve it. For functionaries of today's governmental organizations, it has become an important task to further improve the people's standard of living by thoroughly implementing the party's intent.

The dear leader Comrade Kim Chong-il has indicated: "It is very important to display the rural communities' originality and to mobilize their resource and potential in solving the people's life problems, while implementing the party's revolutionary economic strategy. In particular, by enhancing the role of counties, we should enable all counties to actively struggle to solve the people's life problems with their own might based on the principle of the self-reliance and fortitude."

Constantly improving the people's standard of living is the most important task in implementing the great leader Comrade Kim Il-song's will, as well as becomes the sacred work in displaying the superiority of our own style of socialism more highly. During his lifetime, the great leader [suryong], who boundlessly valued and loved the people, concentrated all efforts on making our people live well without envy. The counties' role is very important in improving the people's standard of living and in thoroughly implementing the party's revolutionary economic strategy according to the will of the great leader [suryong], who made efforts to solve the people's life problem until the last moment of his life. Counties, which are in charge of one-200 of the country, are the regional position, as well as the regional unit of socialist construction. The economic sectors and cultural facilities directly related to the people's life are comprehensively established in the counties. Also, various natural resource and reserves exist there. We can develop the local economy, improve the people's standard of living, and accelerate the overall socialist construction with our own might by mobilizing the local resources and potential to the maximum only if we can enhance counties' role.

Counties provide all conditions for our people to develop the local industry and rural economy to enhance their standard of living. It is a question of how to carry out a struggle to enhance the role of counties under the situations in which the direction and plans for the counties' economy are clearly formulated and for which the foundation for their realization is laid.

Actively struggling to improve the people's standard of living as intended by the great leader Comrade Kim Il-song during his lifetime is the sacred obligation of the revolutionary fighters who are boundlessly loyal to the leader [suryong]. The functionaries of the governmental organizations should vigorously carry out a struggle to enhance the role of counties by keeping their pledge of loyalty made before the bier of the great leader [suryong], upholding the leadership of the party. As a result, they should thoroughly implement the great leader's will to enhance the people's standard of living.

All functionaries should have a firm awareness that a decisive key to effect an upturn in the people's life by enhancing counties' role lies in thoroughly implementing the party's economic strategy. Thus, they should concentrate all efforts on achieving it.

What is most important in improving the people's standard of living by enhancing the role of counties is, first of all, to constantly concentrate great efforts on properly carrying out farming.

Solving the people's food problem is the preferential problem in the people's life. We can solve this problem only if we properly carry out farming. It is the counties that directly guide and manage farming. Only when counties concentrate efforts on farming can they solve their residents' food problems, as well as fully solve the country's overall food problem.

By placing a farm work based on a scientific and technological basis as demanded by a chuche farming method, functionaries and working people should decisively increase grain output per chongbo. As a result, they should effect a new upsurge in grain production. To achieve this, they should produce a considerable amount of fertilizer and properly carry out weeding work. Also, they should practically carry out all farming works in the right season. By highly displaying the awareness and zeal of cooperative farmers befitting masters and by strengthening the work of supplying the rural communities, they should vigorously carry out a struggle to constantly increase grain production and to produce a great amount of meat and fruits.

It is also very important to further develop the local industry in improving the people's standard of living and in enhancing the role of counties.

The local industry depends upon the local raw materials and resource and, also, its basis is to satisfy the demands of the local people. Be mobilizing and utilizing the local raw materials and resource to the maximum, we should operate all local industrial plants at full capacity in order to increase the consumer goods production and enhance the county people's standard of living.

The county governmental organizations should enable the local industrial plants to normalize production at higher level by actively mobilizing and using their own raw materials and resources and their internal reserves.

As a result, they should enable them to produce more consumer goods. Also, the local industrial plants should prepare a production process in a modern manner, enhance the quality of consumer goods, and increase the number of consumer goods by vigorously carrying out the mass-oriented technological innovation movement. Along with this, all units in counties should vigorously carry out the struggle to produce the 3 August consumer goods based on a whole mass-oriented movement so that a considerable amount of the people's consumer goods can be produced.

First of all, it is also very important to increase the export goods in improving the people's standard of living by enhancing the counties' role.

Increasing the export goods is an important demands to normally operate the local industrial plants and to guarantee the goods necessary for the people's life. All counties should properly build the export production base with their own might in conformity with their actual conditions and largely increase the export goods by vigorously carrying out a struggle to increase production.

All counties should effect an upturn in the people's life by developing agriculture and the local industry and by increasing the export goods. At present, this is a policy-oriented intent of the party, as well as an important guarantee for fully displaying the superiority and might of the popular mass-centered socialism of our own style. All functionaries should effect upsurge in the people's life by properly managing the counties' economy with their own might as intended by the party.

In order to manage their economy with their own might, counties should effectively use their conditions in order to use and mobilize the potential of the local raw materials and resources to the maximum.

If we properly use the natural and geological conditions of our rural communities and counties, we can develop the economy anywhere, as well as improve the people's standard of living. This has been clearly proven in the practice of our revolution. The experience of the Chonchon County commercial management office and Maengsan County shows that if we properly use the natural and geological conditions of our counties and local areas and if we actively initiate the might and wisdom of the popular masses, we can turn unchangeable conditions into favorable conditions, produce raw material resources—even though they are not is existence—and make it possible for the people to improve their standard of living in any rural communities, regardless of the mountains, fields, and sea.

All counties should make efforts to fully discover the resources and raw materials from their areas in accordance with the example of the Chonchon County commercial management office and Maengsan County. Also, they should actively try to mobilize and use the raw materials and resources to the maximum, newly and actively laying

them up. In particular, they should properly build the raw material base in conformity with their natural and geological conditions and should carry out the nature remaking project [chayon kaejo saop]—which they can carry out with their own might—concretely and in a planned manner. Also, based on a whole mass-oriented movement, they should carry out the work to effectively mobilize and use outdated materials, as well as idle and available materials by actively developing and utilizing the natural resources deposited in counties and by vigorously carrying out the work to excavate and process a considerable amount of the natural raw materials.

The role of responsible functionaries of a county should be enhanced to properly manage the county's household affairs with their own might.

Whether or not a county properly manages its household affairs depends on the view, attitude, and work style of the county's responsible functionaries. A county's responsible functionaries' loyalty to the party and their working ability can be judged by the living standard of the people in the county. Those functionaries, who excellently solve the people's living problems as intended by the party, can be said to be truly upholding the party. For county responsible functionaries who have grown up as leading members of the revolution amid the great trust and love of the party and the leader, it is a boundlessly honorable and sacred duty to struggle to make the people live under better conditions by properly managing household affairs of their own counties.

With firm ideological determination to realize certainly the teaching left by the fatherly leader, who made all efforts to prepare abundant living conditions for our people, responsible functionaries of all counties should actively struggle to realize it. Responsible functionaries of counties should struggle to elevate the people's living standards by devoting all their energy and wisdom, with great loyalty to the party and great spirit of self-sacrifice for the people. What is important here is to firmly establish a mood—in which they set up phased plans to elevate the people's living standards, in accordance with the specific attributes of each county; implement the plans one by one in an appropriate manner; and vigorously push ahead until the end with things they once started. To this end, functionaries should have a correct view of the people, live always with the people, take the initiative in doing difficult and hard work, and actively organize and mobilize the masses' strength and wisdom. At the same time, they should always pay attention to the people's living conditions, and correctly fulfill organizational work to concentrate all available strength on solving the people's living problems, avoiding an attitude of just embarking on activities without caring for them until they are accomplished, so that they can actively improve the peoples living standards.

In order to make counties manage their households well with their own strength, it is important to prepare conditions for each locality to highly enhance its own creativity and to actively help displaying it.

To enhance a county's creativity is a basic precondition required to make the county manage its household with its own strength.

Committees and departments of the Administration Council should improve and complete various regulations, such as regulations on economic management, in a favorable way to help each county highly display its own creativity and manage its household with its own strength. In addition, based on the principle of properly supplying what must be sent to local areas, they should unconditionally supply counties with raw materials and other supplies necessary for developing local industries, under any circumstance, in a timely fashion. By doing so, they should provide practical support for elevating the local household and people's living conditions.

All functionaries and working people should uphold the dear leader Comrade Kim Chong-il's sublime intent and ideas and firmly prepare counties, so that they can make a turnabout in people's lives and further glorify the superiority and might of socialism, as is our style.

Output of Consumer Goods Increases 20 Percent

*SK2012101994 Pyongyang KCNA in English 1001
GMT 20 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—The local industry workers of Korea are successfully fulfilling their commitments for the first year of the period of readjustment for the implementation of the revolutionary economic strategy of the Workers' Party of Korea.

According to data available, the output of major consumer goods in the first 11 months or more of this year was up 20 percent above the same period of last year and the industrial output value also rose markedly.

In this period, over 520 factories hit their yearly targets more than one month ahead of schedule.

The factories under the Pyongyang municipal associated bureau of local industry boosted their industrial output value 80 percent and the output of major consumer goods 30 percent in this period.

Local industrial factories in Tongdaewon and Sungho Districts and Chunghwa County, Pyongyang municipality, topped their daily plans more than 20 percent from the first day of the year.

The Tokchon foodstuff factory, the Kwangchon foodstuff factory and the Kwangchon disabled soldiers' resin daily necessities factory lifted the output of consumer goods 25 percent and largely expanded the variety of products and the local industrial factories in Manpo City fulfilled its yearly plans far ahead of schedule.

Light Industry Development in North Province

SK2012042894 Pyongyang KCNA in English 0405
GMT 20 Dec 94

[FBIS Transcribed Text] Pyongyang, December 19 (KCNA)—The light industry has developed in North Pyongan Province which is situated in the northwestern part of Korea.

According to data available, this year's plan for the production of consumer goods was fulfilled at 107 percent at the end of October in the province. These achievements have been made by the working people in this domain through their vigorous endeavours in hearty response to the light industry-first policy of the Workers' Party of Korea. The light industrial products of the province are wide in variety and supplied to all parts of the country. High in quality, they find their way to foreign markets.

The rapid development of the light industry in the province is unthinkable apart from the wise guidance of the great leader President Kim Il-song. He showed deep interest in the development of the light industry in the province in his lifetime. He called at Sakju County, a mountainous area, in October 1946, the year following the liberation of the country, and indicated the orientation of the development of the light industry in the province. Giving on-the-spot guidance to light industrial factories in the province on one hundred and scores of occasions, he devoted tireless efforts to the improvement of the people's living standards.

North Pyongan Province has been turned into a powerful consumer goods producer with a multi-facetedly developed light industry under the wise guidance of the president. The proportion of the light industry in the gross industrial output value of the province accounts for more than a half.

There are in the province 30 odd centrally-controlled light industrial factories including the Sinuiju textile mill, the Pakchon and Yongbyon silk mills, the Sinuiju shoe-making factory, enamelware factory and cosmetics factory. Silk fabrics including Yaksan silk and Tasaekdan silk which are noted specialties of Korea, the sewing machine of "Milyong" brand, enamelware, cosmetics of "Meari" brand and other articles popular on foreign markets are turned out in the province. The textile industry is the core of the light industry of the province. It accounts for 65 percent of the light industrial output value. Mixed-spun, cotton, woollen, silk and other textiles are produced in large quantities at nearly 60 textile mills every year.

The locally-controlled industry has also developed in reliance on local raw material resources. The province has more than 530 local factories. More than 10,000 kinds of consumer goods produced by these factories meet diverse needs of the population.

The consumer goods output value of the province has grown 38 times and the commercial retail turnover 73 times in the past 10 years. The variety of products has increased 9.3 times.

The province has solid natural and economic conditions and material and technical foundations for the development of the light industry. The vast reed fields stretching on the west coast are the chemical fibre raw material base.

Abundant are agricultural products, aquatic resources, and such mountain resources as wild grapes and wild rocambole.

The province has the Sinuiju chemical fibre complex and other powerful factories supplying raw materials to the light industry, and spinning machine, dyeing equipment, clothing machine, paper-making machine factories engaged in the production of equipment for light industrial factories. This guarantees the bright prospect of the development of the light industry in the province.

Power Complex Meets Target Ahead of Schedule

SK2012080794 Pyongyang Korean Central
Broadcasting Network in Korean 2100 GMT 17 Dec 94

[FBIS Translated Text] The electricity generation workers of the Taedonggang Hydroelectric Power Complex are continuously achieving success at a high level of production, harboring the spirit with which they have fulfilled the yearly plan 20 days ahead of schedule.

The electricity generation workers of the electric power generation workshop are generating 2,000 kwh more electricity than each generator's capacity with the burning enthusiasm to loyally uphold the dear comrade leader by achieving more success in electricity generation, while keeping their pledge which they firmed up before the departed soul of the fatherly leader.

The workers of the Nos. 3 and 4 workshops of the Three-Revolution Red Flag are exceeding plans by 1.2 times daily, while conducting precautionary repairs and check-up rounds of the equipment well, and while rationally distributing loads [on each unit of equipment] in conformity with the characteristics of each water mill.

The workers at the structure workshop, too, are contributing to generating more electricity by taking good care of the water intake drainage and the dam.

South Korea

Further on U.S. Helicopter Incident in North

DPRK Official at UN Mission Cited

SK2012023294 Seoul HANGYORE SINMUN in Korean
20 Dec 94 p 1

[Report by Washington-based correspondent Chong Yon-chu]

[FBIS Translated Text] On 18 December a high-level official in the North Korean mission to the United Nations said he hopes that "the issue of repatriating the surviving helicopter pilot, and the body of the pilot who died, be resolved soon in concert with DPRK-U.S. relations that are presently advancing satisfactorily [chal chinjon toego innun]."

In a telephone interview with a reporter from this newspaper, the high-ranking North Korean diplomat, who asked not to be identified, pointed out that "injuries to human life caused unnecessarily in times of peace are unfortunate," and stressed that "to prevent such a misfortune, a peace agreement should be concluded as soon as possible."

U.S. President Bill Clinton on 18 December revealed through U.S. Congressman Bill Richardson, who is now visiting North Korea, "The United States requested to the North Korean authorities the return of the surviving helicopter pilot and the body of the deceased pilot to the United States at an early date." At the request of President Clinton, Congressman Richardson has extended his stay and is now negotiating with the North Korean side.

In a statement announced that day, President Clinton noted that "Of the helicopter pilots, Warrant Officer David Hilemon died and Warrant Officer Bob Hall has survived. Such a tragic loss of human life was unnecessary."

Meanwhile, U.S. Forces in Korea on 19 December revealed that they attempted to contact the North Korean side in order to discuss the repatriation of Warrant Officer Hall, who survived, and the body of the deceased. However, the contact was not realized owing to the North Korean side's refusal. It was learned that the North Korean side did not clarify the reason for its refusal.

Earlier, on 18 December, Leon Panetta, chief of Staff of the White House, said that U.S. Secretary of State Warren Christopher contacted officials in the North Korean mission to the United Nations immediately after the incident, and urged them to return the pilots at an early date.

DPRK Official Claims Warning Shot

SK2012012294 Seoul YONHAP in English 0114 GMT 20 Dec 94

[FBIS Transcribed Text] Washington, Dec. 19 (YONHAP)—North Korea insists it shot down a U.S. Army helicopter, believed to have entered the country's airspace due to navigational error, as it was turning southward despite North Korean troops' firing a warning shot.

A high-level official of the North Korean mission to the United Nations said Monday that his countrymen fired a warning shot toward the OH-58C chopper when it entered North Korean territory, then shot it down as it

did not land and instead tried to head southward over the Military Demarcation Line. He said the action constituted the North Korean People's Army's right to self-defense.

Referring to the repatriation of the American pilot, he said that "We have to first investigate how and why the helicopter entered North Korean territory, and how soon the surviving pilot will be returned depends on the investigation."

He explained that the pilot would be released if the helicopter was confirmed to have entered North Korean airspace because of a deviation from the flight route. However, the official said he did not know the exact details because of communication trouble between Pyongyang and its UN mission.

Repeatedly emphasizing that Pyongyang has the right to self-defense because the Korean peninsula is in a state of cease-fire, he demanded that the Armistice Agreement be replaced by a peace treaty and that communication restrictions between North Korea and the United States be lifted.

Meanwhile, the North's UN mission said the communication difficulties arose because the only telephone line linking it with Pyongyang had been disrupted for one and a half months.

MAC, DPRK Hold Working-Level Contact

SK2012093694 Seoul KBS-1 Radio Network in Korean 0900 GMT 20 Dec 94

[FBIS Translated Text] The Military Armistice Commission [MAC] of the UN Command and North Korea are now holding a working-level contact at the MAC Office at Panmunjom to discuss the repatriation of the crew of the U.S. Army helicopter that made an emergency landing inside North Korea. Attending the meeting are Lieutenant Colonel (Blori) and another officer from the UN side, and Lt. Col. (Wi Yong-chol) and another officer from the North Korean side.

They are discussing the exact cause for the emergency landing and the repatriation of the surviving crew member Chief Warrant Officer Bobby Hall.

On 18 December, U.S. Forces in Korea inquired about the safety of the helicopter crew during a working-level contact, but North Korea refused to provide details under the pretext that the investigation was under way.

Letter Delivered to DPRK

SK2012124194 Seoul KBS-1 Television Network in Korean 1217 GMT 20 Dec 94

[FBIS Translated Text] The U.S. Forces in Korea [USFK] held a working-level contact with North Korea at the Military Armistice Commission Office at Panmunjom this evening over the emergency landing of a U.S. helicopter. At the contact, the USFK delivered a formal

letter to the North side urging the early return of Chief Warrant Officer Bobby Hall and the remains of Warrant Officer David Hilemon. Reportedly, however, North Korea did not touch on the date of the return of U.S. helicopter crew, stating that the investigation was still under way.

*** Experts Analyze U.S.-DPRK Agreement**

952C0024B Seoul KYONGHYANG SINMUN in Korean
19 Oct 94 p 7

[By reporters Yi Yong-ho, Kim Pong-son: "In the Light-Water Reactor Issue We Should Secure 'Benefits' for Us Commensurate to the Investment—Two North Korea Experts Discuss the U.S.-North Korea Nuclear Pact"]

[FBIS Translated Text]

The protracted U.S.-North Korea nuclear negotiations reached agreement on 18 October. We invited Korea University Professor So Chin-yong and Kil Chong-u, head of the policy research division of the Institute of National Unification, to an urgently arranged dialogue to hear their views of the accord, its merits and demerits for the countries involved, future prospects and of what should be our responses. Following are their remarks. (Editor)

So Chin-yong: First, I will try to make a general assessment of the U.S.-North Korea accord.

Our government has been pushing North Korea policy with three goals—North Korea's return to the Nuclear Non-Proliferation Treaty (NPT), an enhanced transparency on Pyongyang's nuclear program, and implementation of the North-South denuclearization declaration. In my view, the agreement reached this time substantively reflects these three points. In that sense, I take a positive view of it in general. I might of course take issue on some specifics. The pact does not clearly indicate the time for the special inspections. Also, it leaves the issue of implementation on the North-South denuclearization declaration to be resolved in the future. These points may draw criticism in the country but, from a realistic standpoint, the pact basically meets an expected level, it can be said.

Contributions to the New Regime's Stability

Kil Chong-u: I would like to give it a positive rating myself.

The agreement has been reached within the framework set by the accord reached in the first of the three-stage negotiations. It is therefore rather strange that our government is dissatisfied with it. It had approved of the U.S. negotiations with North Korea and the latest round was held within that framework. So, there should be no complaints on its part.

The negotiating parties, after their "negative games" produced no gains for either side, had a "positive game" useful for both sides in the latest round that began in August. It can be said that the pact clearly lists gains for

each side. Especially, it is realistically a success that they agreed to keep the peaceful coexistence from disruption.

So: With regard to specific contents of the agreement, however, it is a different story. There could be differences in gains and losses between the countries involved.

First, for the United States, the greatest gain that the accord enables it to preserve the NPT system. At least it puts a freeze on the North Korean nuclear program, bringing the world to acknowledge that Washington has succeeded in the negotiations. This is a gain. The agreement also contains a potential pressure for the United States. I mean that the negotiations with North Korea this time perhaps set a precedence. If a third North Korea should emerge and embark on a similar path, the pact can be a precedent and, consequently, a pressure for the United States.

Kil: I agree. The U.S. gain is that it now can preserve the NPT system and implement the nuclear safeguards of the International Atomic Energy Agency (IAEA).

North Korea, in effect, also gained in that the agreement could contribute to the stability of the Kim Chong-il regime. In my view, the accord on the building of light-water reactors and the supply of substitute energy will contribute to the stability of the new North Korean regime.

It is of course possible to see it in a different light. Implementation of the agreement may take more than 10 years. While exchanges with the West resulting from this pact can in the short run contribute to the regime's stability, in the long run there is no guarantee for it. It can be said, therefore, that whether the agreement is to North Korea's favor or disfavor is a matter involving the time factor.

An Open North Korea Inevitable

So: From North Korea's viewpoint, the biggest gain is that it succeeded in getting the United States out to the negotiating table, setting the stage for better relations with it. In the process, it made practical gains, too, such as the light-water reactor and substitute energy deals.

There were losses, too. North Korea had obstinately refused to accept the special inspections under the pretext of sovereignty; it eventually suffered setbacks in this cause. It has yet to digest them domestically. Moreover, as North Korea is expected to receive South Korean and U.S. capital and technology, it will inevitably open itself to the outside world to a significantly large extent. Pyongyang will certainly find it a burden.

Kil: It is a gain for us that a North-South dialogue clause is spelled out in the agreement text. Especially, it is fortunate that the nuclear issue—taken away from us to the U.S.-North Korea negotiating table for some time now—can be discussed again between North and South Korea, too.

Therefore, the final outcome of the agreement will vary depending on our responses.

So: The agreement could draw criticism that we only made concessions on everything and gained nothing. But, in view of the realistic threat coming from the North Korean nuclear program, it is an invisible gain that it resolved the nuclear crisis to the extent it did, ensuring that there will be no further deteriorations in the situation in the future. It is also a positive aspect of the pact that it provides an opportunity for us to have substantive negotiations with North Korea.

On the other hand, despite all the political and economic burden being placed on us, we were left out of the negotiations, and how to put this frustration behind is a problem facing us. Nevertheless, the agreement can be given a positive assessment because it shows the countries involved sharing gains as well as obligations.

Kil: Terms of the agreement will prove a big burden on North Korea. The gist of the accord is that North Korea will freeze its nuclear program and, in return, have better relations with the United States. Therefore, North Korea is unlikely to easily renege on the freeze on its nuclear program. About the inspections of its nuclear facilities, Pyongyang seems to have no specific plans.

Since North Korea is currently in a state of secession from the IAEA, it remains to be seen in what format it will negotiate with the IAEA. My guess is that the inspection issue will be worked on patiently within the framework of the UN Security Council. In the light-water reactor issue, we should focus on having influence commensurate to our financial burden and reaping practical benefits.

So: The implementation of the agreement can take as long as 10 years. Terms of the agreement include phase-by-phase plans and measures therein are linked to one another. In the absence of mutual trust between the signatories, it is so arranged that one phase has to be completed before the implementation moves to the next phase.

Therefore, in the course of implementation, there will be a drama of negotiation and compromise, breakthrough and setback unfolding at each high point.

Special Inspections a High Point

[So, continued:] I think that there will be no problems with the routine and temporary inspections of nuclear facilities. Therefore, there will be no particular issues for the next several months. If any, it will likely be an ROK-U.S. tug of war over cost sharing problems.

But the special inspections to be conducted 2 or 3 years later are likely to bring on a crisis. The special inspections are North Korea's final card and Pyongyang apparently will not give it up easily.

Turns and twists and disputes are expected of North-South dialogue, too. In the text of the agreement released, it is not clear if there is a linkage between denuclearization and North-South dialogue. North Korea is expected to assert that there is no linkage, while we will insist that there is.

It remains to be seen whether the United States will still have to take pains to resolve the North Korean nuclear issue after its mid-term elections in November and the scheduled NPT system renewal next year. It is same with us, too. Gaps in our public opinion or general awareness about North Korea are so wide that they need adjustments.

Also, barring unforeseen obstacles, North Korea and Japan will be able to improve their relations with little difficulty as the tripartite relations—North and South Korea and the United States—make progress. Thus, the Korean Peninsula will usher in its post-Cold War era. The post-Cold War setup will work quite positively for Korean reunification, because it can create a system for reunification management.

Kil: A way to resolve the Korean Peninsula issue should be found in the tripartite relations of North and South Korea and the United States. In this context, North Korea's short-term gains will, in the long run, work to the favor of the ROK and the United States.

An important thing is that all the sensitive pending issues are, in effect, subject to consultations between South Korea and the United States. Among them are the Team Spirit training program, a U.S. troop withdrawal from South Korea and conclusion of a new peace accord. Unfortunately, however, Seoul and Washington are yet to reach an accord of opinions on them. It is for this reason that close consultations are urgently needed between them.

For North-South dialogue, too, it is evident that the pact has raised an opportunity for reopening. The North Korean leadership also views the dialogue as a major factor determining future North-South relations. Neighboring countries such as China and Russia, seeing the stability on the Korean Peninsula as vital to their interests, will try to protect them within this basic framework, stability. In the course of the imminent peace agreement debate, China—a signatory of the Korean Military Armistice Agreement—will try to get itself involved, while Russia is also expected to demand a multilateral conference.

Lack of International Judgement

So: In their responses to the nuclear issue, the public and media as well as the government made lots of errors, it can be said. When the issue surfaced, it involved—for its nature—many restrictive factors, and as for an avenue to resolution, it was virtually predetermined and not for us to choose.

First of all, it was a major premise that the nuclear issue could not be resolved by war. Negotiations were the only choice. It was something that we could not possibly deal with by ourselves; under the circumstances, we could not but be a third party despite the fact that we were evidently one of the parties directly involved.

We had to go through trials and errors. It was because we lacked an international eye and was seized with an ROK-first notion. It can be said that we faced the nuclear issue with an international sense or consciousness so hopelessly deficient for our international status. We were all avaricious, viewing North Korea as an object to overthrow rather than as the other party of negotiation. In our attitude, it was unmistakably clear from the beginning that we saw North Korea as doomed to fall sooner or later like all other socialist countries did; we were unwilling to recognize it as the other party of dialogue. Thus, we created an obstacle for ourselves. Against such backdrops, we faced the issue in an emotional manner and, in consequence, produced negative influence on a settlement of the situation. Even from now on, we should have a more cool-headed and rational attitude, an attitude for solving problems through negotiations.

The government, for its part, tended to follow the lead of the public and media rather than leading them in the right direction and, as a result, failed to maintain consistency in the course of negotiation. Reunification is a long-term process. It calls for patience and rational responses. Based on this new understanding, we should be consistent with our principle.

Kil: We need a realistic perception. We should come to a clear understanding about where we should be involved and where our involvement cannot but be a limited one at best. Confusion on this point raises false expectations that would only end in disappointments. A rational approach can lead to a solution without friction. When a government secures the trust of international communities as well as of its people, it can bring its policy to fruition. This is also the reason why it should live up to what it says in its policies. We should abandon the delusion that we can have North Korea at our beck and call.

* Korea Called 'Paradise' for U.S. Forces

952C0024C Seoul HANGYORE 21 in Korean 20 Oct 94 pp 24-27

[By reporter Kim Yong-ki: "Korea Is a Paradise for U.S. Forces—Cost Share Jumps to Highest Level of Support...Cries for 'Revision of the Unequal Agreement' Loud"]

[FBIS Translated Text] Is Korea a paradise for the U.S. Forces? The answer is "Yes, it is, compared with other countries at least." It is currently paying the largest share of the U.S. Forces maintenance cost in the world and it is certain that it will be paying even more in the future. Even when military personnel break laws, the chances of

their being taken into custody are exceedingly low compared with similar cases in NATO countries and Okinawa. Therefore, demands that "the status of the U.S. Forces in Korea [USFK] be readjusted to levels of the NATO or the U.S. Forces in Japan [USFJ] were heard at a 5 October public hearing sponsored by the Committee for the Revision of the ROK-U.S. Administrative Agreement (hereinafter referred to as the Revision Committee). At the hearing, some charged that the ROK-U.S. Status of Forces Agreement commonly known as the ROK-U.S. SOFA is even comparable to the U.S.-Ethiopia status of forces agreement which is considered the most unfair international agreement of its kind.

"U.S. Pressure Was Strong, Uncompromising"

Explaining the purpose of the hearing, Yi Chang-hui, professor of the Foreign Studies University and chairman of the Revision Committee, said: "Reform among us should not be lopsided. In the ROK-U.S. SOFA, too, the ROK should be guaranteed a position as a party of equal status." Two days after the hearing at the Pentagon, National Defense Minister Yi Pyong-tae and Defense Secretary William J. Perry signed two agreements, one transferring the USFK peacetime operational command to the ROK and the other increasing the ROK share of the USFK maintenance cost. They drew two diametrically different reviews, the first viewed as "having laid the basis for self-reliant national defense for the first time in 44 years" and the second as "having meekly complied with the U.S. request." Officials said "the U.S. pressure for the increase in the defense cost share was strong and uncompromising," indicating that "the other party" was big and formidable.

The question of "what is the USFK for us?"—answers to which varied from one end of the spectrum to the other for the past half century depending on who gave them—has been in fact a question dealing with the ROK-U.S. relationship itself. The mission of the U.S. Forces and the question of U.S. troop withdrawal have been subjects of debate among college students in Korea, in the U.S. Congress and in neighboring countries. In some cases, budget deficits led to accusations of a "free ride on security." Issues were diverse, ranging from the criminal jurisdiction over cases involving U.S. personnel to the condemnation of illegal dispositions of PX goods. However, the Taejon agreement signed in July 1950—the year the Korean war broke out—between the U.S. Embassy and the ROK Government and the relationship between the Eisenhower Republican administration—Eisenhower was elected on a platform of ending the Korean War—and the Syngman Rhee government which sought to put off the truce clearly show who is the strong and who is the weak. At the time of the USS Pueblo incident, the Panmunjom ax atrocity case, the 26 October [1979 President Pak Chong-hui assassination] incident, the Kwangju incident, and the Asian Games and Seoul Olympic Games, the U.S. 7th Fleet invariably held maneuvers in the East Sea [Sea of Japan] for a show of force. And as the "North Korean nuclear crisis"

mounted recently, Okinawa- and Osan-based spy planes continued to monitor movements in the former Soviet Union, China, and North Korea, observing even a fist-sized rock on the ground.

The glaring disparity in the bilateral relations was honestly reflected in the preferential treatment provided for in the ROK-U.S. SOFA, including those relating to the criminal jurisdiction and civil claims, labor details, customs clearance procedures, tariffs and taxation, and to the ROK share of the USFK maintenance cost. First of all, of the more than 1,000 criminal cases involving U.S. personnel every year, the ROK exercises its jurisdiction in less than 1% of them, an extremely low percentage in comparison with NATO countries' 52%, Japan's 32%, and the Philippines' 21%. Only 5% of the offenders would be taken into custody by the U.S. military court; how dreadful the crime might be, there has not been a single case in which the suspect was taken into custody before conviction by the court. It is unknown where and how long the convict is detained, or if he is detained at all. There is no system of monitoring if those sent back to the United States were put on trial as they should be, or how the trial wound up, said Pae Kum-cha, a lawyer, at the hearing.

The USFK exercises its exclusive police power not only on bases but in adjacent areas as well. This is exceedingly unfair compared with the system in NATO countries and Japan, where "the suspect in the act of committing an offense can be arrested without a warrant and the seizure of weapons and detention of the suspect can be carried out even in U.S. military installations and areas without consent of the U.S. military authorities." While the primary jurisdiction over cases involving personnel on official duty belongs to the USFK, the determining factor in this case is the order-of-duty paper issued by the USFK. To this certification, the ROK can indeed take exception through the first-line prosecutor and the ROK prosecutor general can produce evidence against it; however, when the two countries fail to reach agreement, U.S. military authorities exercise the jurisdiction. In NATO countries and Japan, the decision as to whether it was an offense while on official duty is made by the court of the host nation, said Pak Kum-cha. The reality is that even in damages resulting from offenses involving U.S. military personnel, civilians, or their dependents, it is difficult to receive compensation, said Chong Chu-yong, also a lawyer. The ROK share of the USFK maintenance cost is exceedingly high. It has no control on whatever the USFK holds in their installations, said Yim Chae-hong, researcher of the Democratic Jurisprudence Research Institute. Despite the fact that the USFK directly employs Koreans through its local-hire system and that a significantly large portion of the employment cost is paid by the ROK Government, Korean employees can be dismissed for extremely vague reasons such as "military needs of the U.S. Forces" and their legal right to strike is practically nonexistent. In NATO countries, Japan, and Iceland, the U.S. Forces uses an indirect hire system under which the host country government

employs and assigns to the U.S. Forces indigenous workers, thereby protecting their rights, said Atty. Han I-pong. Members of the U.S. military forces, civilians, and their dependent families are accorded preferential treatment in terms of special immigration procedures, tariffs and surcharge exemptions, and use of duty-free shops. The preferential treatment is exceedingly comprehensive compared with that in NATO countries where it is limited to "spouses and dependent children of members of the military forces and civilians," noted Shoe Sung-hwan, professor of Suwon University. Thus, speakers at the hearing pointed out problems in the ROK-U.S. SOFA one after another.

The Cost Share Paid With No Legal Basis

Problems cited by the Revision Committee mostly relate to human rights and sovereignty except the ROK share of the USFK maintenance cost, which is one of the most basic political issues. The gravity of this issue—which is linked to the ROK and U.S. defense budgets and to the two nations' political, economic, and strategic awareness of the presence of the U.S. Forces in Korea—is seen in the fact that the ROK is paying the highest share of the cost among the more than 40 countries where U.S. troops are stationed. Even former Defense Secretary Les Aspin testified at a hearing of the Senate Appropriations Committee on military spending that "by 1993 standards, the ROK is paying 78% of the USFK maintenance cost, which is higher than Japan's 76%, and vastly higher than Germany's 33%." The direct and indirect share paid by the ROK is \$3 billion per year, equivalent to 7% of the 1993 general expenditure budget of 38,050 billion won. Ray Goldwell, State Department defense budget ambassador, visited Seoul in early August for exploratory talks on the cost share issue with the ROK Government, and in the recent security consultation meeting in Washington the two defense ministers had a tete-a-tete on the same issue. The nature of talks on the issue is quite secret and the U.S. influence over it is absolute. It was in 1986 that the ROK began paying its share of defense costs, in addition to the land offered gratis to U.S. military installations, which totalled 73.68 million pyong as of the end of 1993.

The expense was processed as aid gratis through 1976, then as FMS (Foreign Military Sales) loans through 1986. It was thereafter taken care of in a supralegal budget through the end of 1990. The act even violated Article 5 of the ROK-U.S. SOFA, which states that "the U.S. Forces maintenance cost is borne by the United States in full." Then, by the ROK-U.S. agreement—put into effect on 21 February 1991—on a special measure under Article 5 of the SOFA, established under Article 4 of the mutual defense treaty, the ROK came to "bear part of the maintenance cost and report it to the United States for each fiscal year." Seemingly a legal system, this agreement is illegal because it was not put to the process of ratification by the National Assembly under the provision of Article 60 of the Constitution stating that "the National Assembly has the right to consent to ratify

a treaty or legislation which puts financial burden on the people." The direct share of the cost computed and paid by the government annually based on this agreement in fact constitutes an illegal act violating the Budget Accounts Law, which states that "the government shall compile budget plans in compliance with the existing applicable laws."

At the National Assembly Budget and Audit Committee session in December 1990, Rep. Yi Sang-su of the Party for Peace and Democracy [PPD] touched on the illegality and demanded that deliberations of the budget bill containing the payment at issue be preceded by ratification of the agreement concerned. On the next day, Foreign Minister Choe Ho-chung received a letter from U.S. Ambassador Donald P. Gregg; the day after that the government and the ruling party held a meeting in which the Foreign Ministry demanded that the Democratic Liberal Party see that the bill is passed as drafted. Vice Foreign Minister Yu Chong-ha met with Rep. Yi Sang-su to persuade him on the special nature of ROK-U.S. relations, while the government and the ruling party lobbied PPD "high officials involved." Thus came an agreement the next day between the ruling and opposition parties at a numerical adjustment subcommittee session of the Budget and Audit Committee. All these things were done in only two and a half days from the time Rep. Yi Sang-su made the motion. It was known at the time that the United States wanted to have "the ROK National Assembly avoid the precedent-setting step of ratification in consideration of other countries that might try to follow suit."

In the previous year of 1989, Washington was abuzz with demands that the administration press allies to pay their share of the defense costs. Sen. Dale Bumpers proposed a cut of the U.S. ground force in Korea by 10,000 men. And arguments linking the troop withdrawal issue to demands to allies for defense budget increases gained strength not only in Congress but within the administration as well. Sen. Sam Nunn, chairman of the Armed Services Committee, argued that "the U.S. trade deficit adds up to its defense spending for allies. Therefore the question of troop withdrawal from overseas should be used as a card to get them to increase their share of the U.S. Forces maintenance cost." Thus, the amendment he proposed proved greatly persuasive.

Since the end of World War II through the 1960's, the American people were full of idealism and ambitions, which found expression in overseas military bases and direct overseas investments. Those factors were responsible for deficits in the overall balance of payments despite the surpluses in the service and trade areas, but they accepted them as a price for their hegemony. John Connally, secretary of the treasury in the Nixon administration in 1971, noting that the U.S. payment deficit and the maintenance cost of its forces in Europe are about same in size, said that a \$2-\$3 billion deficit is not a serious matter to supporters of Pax Americana, considering the geopolitical and financial interests of the

defense of Europe. Then, inflation started in 1970 as there were signs that "the United States is printing the greenbacks beyond its economic capacity," and the U.S. economy crashed.

There was a common interest between the weakened domestic economy and the moves for defense budget cuts fanned by the post-Cold War mood. The United States thus came to use the troop withdrawal issue as a card to get allies to pay their share of the defense costs. The cost of U.S. Forces stationed overseas, earlier viewed as the price for U.S. hegemony, now emerged as the culprit of economic woes. Allegations were made of a "free ride on security," and the criticism was directed against Japan and Germany, particularly Japan, the spearhead of trade surplus against the United States. In its response to the U.S. card, Korea's then-ruling Democratic Justice Party presented a resolution against U.S. troop withdrawal to the National Assembly, and President No Tae-u, in an interview with THE NEW YORK TIMES, suggested an increase in the ROK share of the defense costs. Sen. Bumpers said in his congressional remark that "South Korea, while enjoying surpluses under the security umbrella, would not even be grateful but is bent on running up surpluses against the United States through all sorts of unfair trade practices. If the U.S. Forces should withdraw, South Korea will have to increase its defense spending from the current 5% of GNP to 8% to fill the gap thus caused. If it fails to increase its share of the maintenance cost, the U.S. Forces should be withdrawn." In fact, Bumpers should have directed his criticism toward Japan or Germany rather than the ROK.

Should Be Freed From Excessive Burden by Easing Tension

There is no legal basis to the U.S. Embassy building, the U.S. cultural centers in Pusan and Kwangju, the Namyongdong general service office, and the 70,000-pyong embassy personnel billet in the Yongsan Base. The land for USFK use on a gratis basis, except parts not used currently, accounts for 0.31% of the total area of South Korea, a percentage exceedingly higher than the 0.09% in Japan's case. Compared with the ROK Forces, the USFK is enjoying a space four times as large and four times as comfortable.

The ROK Government had no alternative but to meet the latest U.S. demand for an increased defense cost share. Needless to say, the reason was not because it thought that "the USFK is solely for the security of the South Korean people."

Nor was it because the ROK Government was unaware of the fact that the tactical air control headquarters in the Osan Base is of a level comparable to that of NATO and that its mission is to restrain China and Russia and defend Japan. Nor was it because it could not articulate the fact the U.S. military strategy is to secure the North Pacific sea route of trade and the South Asian maritime

passage and that the United States sells more than \$500 million worth of arms to the ROK every year. Nor could it be because it was unable to press for gratitude for the fact that the ROK is the only country that has—in its wartime support program—plans about specific combat support including use of KAL planes and ROK merchant fleets. The stark reality is that no amount of effort for a reduction in the defense cost share can produce results as long as tension continues to mount on the Korean peninsula.

Moderates in the United States insisted in 1989 that “we should bring on a reconciliation mood between North and South Korea and permit trade in nonstrategic goods between the United States and North Korea so as to gradually normalize relations with North Korea. To ease tension on the Korean peninsula by doing so will be in the interest of both the ROK and the United States.” Their suggestion provides an answer for us unless our government is unconcerned about the defense burden on the people, and unless it is trying to profit politically and psychologically from the increasing tension. And this is in consistency with what Chong Chong-uk, Chongwadae senior secretary for foreign and national security affairs, wrote in a newspaper in early 1990 when he was a professor. “The ROK forces should increase the independent defense capabilities in proportion to the reduction in the U.S. Forces. At the same time, the tension between North and South Korea should be relaxed and a conciliatory mood deepened through dialogue and interchange. Unilateral increases in the defense capabilities not backed up by sincere efforts for improvement in relations are not only against the trends of the times but also conflict with the public opinion logging for democratization,” he wrote at that time. Is our government treading that path now?

IFANS Assesses Prospects for N-S Relations

*SK2012014594 Seoul THE KOREA TIMES in English
20 Dec 94 p 2*

[FBIS Transcribed Text] Inter-Korean relations will remain static next year, apparently affected by the atmosphere of peaceful coexistence favored by neighboring countries espousing a “two-Korea policy,” the Institute of Foreign Affairs and National Security (IFANS) said yesterday.

In its forecast on international affairs affecting the Korean peninsula next year, the institute said that the people’s desire for national reunification would become lackluster because of “internal and outside factors.”

“It will be unlikely that South Korea would realize reunification by absorption of the North if North Korea is given the chance to overcome its isolation and economic hardships,” the report said.

North Korea, while stepping up its propaganda efforts by designating next year as the inaugural year for reunification, is expected to refrain from actively pushing a

reunification move because Pyongyang knows that it is an impossible dream, it added.

Meanwhile, the state-run institute said that negotiations for an inter-Korean summit will resume in the latter half of next year when de facto North Korean leader Kim Chong-il is expected to complete the transfer of power.

“North Korea is unlikely to take a positive stance on a summit for the time being in light of its fierce criticism of President Kim Yong-sam,” it said.

If Pyongyang’s relations with the United States and Japan improve, it will feel no necessity to expand economic ties with South Korea, the institute said.

Therefore, the North is expected to seek limited economic exchanges with the South, initiated by the private sector, it added.

The institute said that North Korea will strengthen its relations with other Asian countries including Thailand, Iran, Singapore, Malaysia, Taiwan and Hong Kong to alleviate its chronic food shortages and introduce capital and technologies.

Pyongyang will continue to consolidate military ties with Iran, Syria and Pakistan to obtain hard currency through arms sales, it added.

The institute forecast that Kim Chong-il will formally take over as general secretary of the ruling Workers’ Party and state president next year and endeavor to consolidate his leadership.

Kim is regarded as being well versed in domestic and international affairs because he was groomed for more than 20 years to succeed his late father Kim Il-song, it added.

Meanwhile, Russia will actively seek to improve its relations with North Korea to make full use of the “North Korea card” in dealing with South Korea, it said.

The institute indicated a possibility that Moscow would try to replace its current friendship treaty with North Korea with a new one and resume the supply of weapons parts.

China will continue to support a North Korea ruled by Kim Chong-il and advise it to actively improve ties with the United States and Japan as part of its strategies to ensure peace and stability on the Korean peninsula, it said.

North Accelerates Exports as Year End Approaches

*SK1712141694 Seoul MUNHWA ILBO in Korean
17 Dec 94 p 9*

[From “Prism” column]

[FBIS Translated Text] North Korea has recently been attracting interest because, just like South Korea’s

trading companies, it is accelerating its exports to heighten the actual export record as the end of the year approaches.

According to maritime transportation businesses operating between South and North Korea, North Korea has recently urged port laborers to work harder to heighten the actual export record. Thus, despite the poor working conditions due to the cold weather as the end of the year approaches, the speed of loading export goods has been accelerated.

Regarding this kind of situation in North Korea, a maritime official analyzes that this kind of measure is being carried out because the actual export record is something tangible that can be shown to the North Korean people by Kim Chong-il, who is faced with a transitional system in the North Korean regime due to Kim Il-song's death.

North Interested in Cement, Chemical Industries

*SK2012021994 Seoul YONHAP in English 0129 GMT
20 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP)—North Korea is extremely interested in the cement and chemical industries as far as inter-Korean economic cooperation, a business source here said Tuesday.

The North is actively seeking to attract investment by South Korean companies in the cement and chemicals fields to foster them as major export industries, the source said.

Part of the reason North Korea chose the Ssangyong Group as the first South Korean enterprise to visit may be that the group boasts being the largest cement maker in the South.

A 12-member Ssangyong delegation led by group Vice Chairman Yi Chu-pom visited North Korea from Dec. 13-17. They were the first South Korean businessmen to travel to the North since the Seoul government decided to allow such trips.

Yi recently told a press conference that Ssangyong was the first South Korean business to visit the North because its business lines are well matched with North Korean materials.

Encouraged by Ssangyong's example, other groups which also have cement makers are pushing to follow suit.

The Halla Group has received government approval to contact the North and is working out detailed measures to set up a joint venture there. The Tongyang Group received an invitation from the North in the first half of this year and is studying ways of cooperation.

North Korea has as many reserves of lime as the South, which is also of better quality. If the South provides cement-processing technology to the North, it can export cement to many countries, according to the source.

Meanwhile, North Korea also wants to cooperate in the petrochemical and chemical industries. The North's production facilities in these industries, which were built in the 1960s and 1970s, are now worn out and must be replaced, the source said.

Plans for Investment in Tuman River Project

*SK2012073994 Seoul YONHAP in English 0652 GMT
20 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP)—South Korea will pour 1,325,000 U.S. dollars into eight projects for the second-phase development program of the Tuman River valley under an agreement with the UN Development Fund (UNDP) starting next year.

The eight projects include surveys for construction of an international airport, harbor facilities, roads and railways and power stations, and studies on financing the entire Tuman River valley development program, developing a small delta in the valley, processing information on mineral, energy and water resources in the valley and promoting international cooperation for industrial development.

These projects were selected on a feasibility basis from among the 25 jointly recommended by government research institutes and the engineering industry promotion association, based on a feasibility study done by the Korea Institute of International Economic Policy in 1993, according to the Science and Technology Ministry.

Ministry officials said foreign specialists and international organizations would be invited to participate in these surveys and studies to be conducted by domestic research institutes and business corporations.

North and South Korea, China and Mongolia agreed at a UNDP meeting held in Ulaanbaatar, the capital of Mongolia, in July 1991 to develop the Tuman River valley into a center for the manufacturing, processing and tourist industries and for transportation networks in Northeast Asia.

The South Korean Government agreed with the UNDP to invest 5 million dollars in the Tuman River valley development program between 1992 and 1996.

Under the agreement, the government spent 400,000 dollars in initial feasibility studies last year, the officials said.

Kim Tae-chung on Seoul's Handling of Kim Death

*SK2012122994 Seoul YONHAP in English 1135 GMT
20 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP)—Kim Tae-chung, chairman of the Asia-Pacific Peace Foundation, said on Tuesday the Seoul government failed to deal wisely with the "condolence controversy" that flared up in the wake of the death of Kim Il-song last July.

In a speech at a working breakfast meeting hosted by the Journalism Graduate School of Korea University, Kim said there are two kinds of condolences: One is heartfelt and tearful condolence and the other reluctant yet diplomatically necessary condolence.

The former opposition leader said, "The government ought to have taken a little more wise step at that time."

Kim said that on many occasion he encountered the voicing of regrets in the United States, Japan, China and Russia over "our narrow-minded attitude."

"Because of this, North Korea managed to succeed substantially in bringing the four powers into their own pace while our stance was weakened in a relative sense," he said.

He also said that Kim Il-song once told former U.S. President Jimmy Carter that if his idea of unification under a confederation system is problematic, he would accept the system of South-North federation based on Mr. Kim Tae-chung's idea.

"I expect that a first-stage South-North federation could be realized by 2000," Kim said.

Paper Cites Reports on Kim Chong-il's Health

SK2012070194 Seoul CHUNGANG ILBO in Korean 20 Dec 94 p 5

[Report by Yu Kyu-ha]

[FBIS Translated Text] Reports noting that Kim Chong-il's health is so bad that he cannot conduct normal activities have been put forward in foreign countries, thus attracting the people's attention.

On 30 December, the Korea Trade Promotion Corporation's [KOTRA] Frankfurt office reported to its Seoul headquarters that the FRANKFURTER ALLGEMEINE ZEITUNG, an influential German daily, carried an article dispatched from Pyongyang in its 15 December edition, under the subtitle, "Endless Mysteries on Kim Chong-il's Health." Thus, the daily reported on various rumors concerning Kim Chong-il's recent health.

KOTRA noted that this newspaper reported that during recent talks with a foreign diplomat, Kim Chong-il's face suddenly turned very red and he had to leave the room. He then returned a while later after he recovered. Thus, his health seems to be deteriorating.

Another diplomat based in Pyongyang said that when he went to meet Kim Chong-il, he could hardly see Kim's face and that he could only see his right hand when he shook hands with him because a strong glaring light, similar to a searchlight, shooting from behind Kim blocked his view [chasini kim chong-ilul mannaro kasulttae, kimui tungdwieso searchlight wa kattun kanghan pulbichi pichyo aksorul hanun orunsonman polsu issulsul ppun kimui olgurun koui polsu obsotta].

The daily quoted a Pakistani diplomat as saying that when he went to see Kim, he noticed a long scar in the left side of Kim's head.

Concerning Kim Chong-il's long absence from official activities, a rumor that Kim Chong-il is alcoholic has spread among diplomatic circles. Besides, speculation that he is an epileptic and even a diabetic prevails.

A number of foreign guests wishing to meet Kim Chong-il have rushed in recently. Kim, however, has never received them personally, but instead, he has sent them three bottles of ginseng wine and a flower vase designed like a mussel as gifts. During the funeral ceremony for Kim Il-song, Foreign Minister Kim Yong-nam gave a memorial address, instead of Kim Chong-il—the principal mourner. Diplomats in Pyongyang pointed out that this is an act going against usual practices.

President, Japanese Premier Discuss Sakhalin

SK2012103494 Seoul YONHAP in English 1011 GMT 20 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP)—President Kim Yong-sam had a telephone conversation with Japanese Prime Minister Tomiichi Murayama on Tuesday afternoon, in which the two leaders agreed to closely cooperate with each other over the issues of Korean residents in Sakhalin, support for light-water reactors, and inter-Korean dialogue.

Premier Murayama, in particular, said his administration has earmarked 500 million yen in the next year's budget for the construction of a recuperation center for the Koreans who return to Korea from Sakhalin.

Chongwadae [presidential offices] spokesman Chu Ton-sik said Murayama also promised to secure 2,800 million yen for use in building 500 apartment units for permanently returning Koreans.

In a Korea-Japan agreement, South Korea provides lands for the creation of recuperation and apartments for returning Koreans while Japan bears their construction expenses.

Chu said Murayama further offered close cooperation in South Korea's bid to obtain a non-permanent membership of the UN Security Council in 1996.

The telephone conversation, made with Murayama's call, lasted 20 minutes beginning 4:15 p.m.

Three Naval Vessels Arrive in Japanese Port

SK2012070594 Seoul YONHAP in English 0622 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 (YONHAP)—For the first time in the country's naval history, three South Korean warships flying the national flag arrived in Harumi Port, Tokyo, Tuesday morning.

The ships, two frigates and a logistics support vessel, are part of the 1994 Republic of Korea Navy Cruise Training Unit led by Commodore Han Sang-ki.

Harumi Port is the last leg of the unit's around-the-world training cruise in which some 169 Navy cadets are supposed to have called at 16 ports in 16 nations since Aug. 22.

The unit's visit to Japan was made possible under a program on exchange visits by South Korean and Japanese training fleets, which was agreed in April between visiting South Korean Defense Minister Yi Pyong-tae and his then-Japanese counterpart Kazuo Aichi.

Upon entering Harumi Port, the South Korean Navy was welcomed by some 600 people including South Korean Ambassador to Tokyo Kong No-myong, high-ranking officials of the Japanese Self-Defense Forces and Koreans residing in Japan.

During their four-day port call until Friday, the unit's leading officers will call on major Japanese military officials including the Joint Chiefs of Staff chairman, Navy chief and vice defense minister. The midshipmen and Navy personnel will meet and play goodwill games with their Japanese counterparts to enhance friendship between the two navies.

In the meantime, the Tokyo Maritime Control Center hosted a welcoming ceremony marking the training unit's first-ever call at the port.

The unit will return home next Monday, wrapping up the months-long training exercise which saw the South Koreans also making their first visit to the Black Sea fleet of Russia.

Site for Nuclear Waste Disposal Said Undecided

SK1712023094 Seoul THE KOREA HERALD in English 17 Dec 94 p 3

[By staff reporter Yu Chong-mo]

[FBIS Transcribed Text] Speculations are prevailing over which area will be selected as the permanent storage site for nuclear waste as the deadline set by the government is rapidly approaching. The government has repeatedly vowed to complete choosing a final site before the end of December. However, the government has shown few signs of hurried movement in connection with the imminent announcement thus far.

It is learned that about 10 areas have been selected as the prospective storage sites for the nuclear waste stemming from domestic reactors.

The 10 prospective sites include Yangsan in South Kyongsang Province, Changhung and Yochon in South Cholla Province, Ulchin and Yongil in North Kyongsang Province, Kosonj and Yangyang in Kangwon Province, Kulop Island, Pian Island and another unidentified island in the West Sea.

Among the 10 sites, however, Kulop Island, covering about 1.7 million sq. meters, is said to be most favored.

The touchy issue of radioactive waste storage has exploded into the public again lately after a local TV network reported Thursday [15 December] night that Kulop Island had been finally selected as the nuclear storage dump site.

The Radioactive Waste Management & Planning Mission, an interministerial body headed by Vice Minister of Science and Technology Han Yong-song, immediately issued a statement denying the report.

The government has not decided on the issue yet, but is still conducting an in-depth screening of the prospective sites, the statement said.

"Kulop Island has been found to possess one of the best geological conditions to function as a permanent nuclear waste dump," said the statement.

But the island, about 80 km west of Inchon, is too far from the mainland, making it difficult for the authorities to operate and manage a nuclear dump facility there, the statement said, adding that living conditions for the storage facility employees and their families would be very poor.

Despite the strong denial from the government, many experts still see Kulop Island as the most likely site.

Kulop Island, two-thirds the size of Seoul's Yoido, is composed of strong granite suitable for the building of an artificial cave and the compensation poses little problem as the island is inhabited by just 10 people in five households.

Seoul National University and dozens of private and state-run research labs, commissioned by the interministerial body, have participated in the screening of about 600 prospective sites—292 coastal areas, 210 islands and 90 abandoned mines—over the past several years.

The government plans to pour more than 50 billion won into the area finally selected as the storage site.

The government's repeated attempts to find a location for storing the domestic radioactive wastes have been thwarted each time in the face of strong resistance from local residents who fear their "backyards" might be contaminated.

The nation's nine nuclear reactors are churning out about 5,000 drums of radioactive waste annually.

At present, however, the waste is being temporarily stored in facilities inside nuclear power plants, raising safety and capacity problems.

South Korea may have to suspend its atomic power generation around 2001, should it fail to find a permanent storage site by the end of next year.

'Internationalization' of Economy Evaluated

SK1912065494 Seoul YONHAP in English 0613 GMT
19 Dec 94

[Report by Kim Myong-chol: "Economy Moves Toward Globalization on Deregulation Policy"—YONHAP headline]

[FBIS Transcribed Text] Seoul, December (YONHAP)—Pressed to globalize the economy, including opening the rice market, by the Uruguay Round (UR) multilateral trade agreement reached toward the end of 1993, the government had to focus its 1994 economic policy on "internationalization and deregulation."

This has led to the globalization vision for the economy which President Kim Yong-sam announced while visiting Australia in November and further to his plans in early December to downsize government ministries, chiefly economic ones, to honor his election pledges of a small government and deregulation of business activities.

The government has learned much from the UR pact, which paved the way for a new global trade order represented by the World Trade Organization (WTO) to be formed early next year, although the accord was a heavy burden on both the economy and the government throughout 1994.

Announcing a timetable for opening the farm market, especially for rice, the government began collecting a special rural development tax in July in an attempt to restructure and modernize the farming industry so that farmers can withstand the onrush of imported farm products.

But taxpayers were unhappy about this new tax, and their grievances were fueled by a Constitutional Court ruling against the tax on an excessive rise in the value of land designed to check speculative land investment.

With the new special rural development tax, the government was able to draft a grand agricultural development plan calling for a shift from "quantitative farming" to "qualitative farming" by fostering an extensive, large-scale farming enterprise and developing more agro-industrial areas which house factories processing farm produce.

To deregulate economic activities for increased creativity by businessmen, the government either eased or scrapped a total of 1,128 business rules in the first half, but this was a far cry from businessman's demands. A recent survey by the Office of the Senior Presidential Secretary for the Economy revealed that up to 197 steps remain of the procedures a business must undergo for its activities ranging from founding a company to selling its products.

Former Economic Planning Minister Chong Chae-sok, upon taking office, declared that prices should be left to move according to market mechanisms, but he had to

tackle the price issue day and night throughout the nine months he served as chief economic policy-maker. He quit due to health reasons in early October.

The inflation rate for this year appears to stand at the government-set goal of 6 percent, thanks not to state price controls but to a seasonal fall in farm prices.

Public utility charges, such as water and power rates, may best represent the government's price policy. During the long spell of dry and hot weather in the summer, the public suffered from a limited supply of water and electricity, leading the government to call for increased investment in waterworks and power plants. But such calls are no longer heard now.

Insufficient infrastructure has been cited as one of the major bottlenecks to sustained economic growth and construction of more roads, harbors and communications networks had been deemed an urgent need until the collapse of a Han River bridge in Seoul in October. The incident turned the focus to the need to correct defective or erroneous construction.

Financial scandals emerged as the dark side of the banking industry in the past year. Chang Yong-cha, the queen of the underground economy, was imprisoned only two years after being freed and her illegal financial transactions led to the dismissal of two bank presidents. In addition, corruption cases involving the national agricultural cooperatives federation and Korea Exchange Bank resulted in the imprisonment of the former's head, the first-ever elected president of the institution, and the resignation of the latter's president.

But on the bright side are measures taken for further liberalization of interest rates and the foreign exchange and stock markets. These steps are generally acclaimed as a big stride toward globalization of the country's financial markets.

The economy as a whole fared well in the year. Recovery from the recession was so conspicuous that some people even worried about overheating. Interest rates have been relatively stable in spite of a series of deregulation steps. The stock market broke through the 1,000-point level of the composite price index for the first time in five years.

It can be said that over the past year, the economy laid a foundation for sustained growth amid the ever-rising globalization of the world economy in the coming year, though local elections in 1995 are feared to stand in the way.

Institute Assesses Prospects for 1995 Economy

SK2012024294 Seoul THE KOREA HERALD in
English 20 Dec 94 p 8

[FBIS Transcribed Text] The Korean economy's breathless expansion of this year will likely continue through 1995 to push next year's growth rate to an annualized 7.5 percent, a government think tank said.

Such a hectic pace of economic growth for two consecutive years, if left unchecked by proper stabilizing steps by the government, will work to catapult inflation 6 percent level, it said.

Announcing its economic forecast for 1995, the Korea Development Institute also estimated this year's growth at 8.4 percent, up sharply from the 5.6 percent rise in 1993.

"The 8.4 percent expansion of this year is not so high as it appears, considering the slow growth of the 1992-1993 period," said Sim Sang-tal, a senior KDI fellow. "The problem, however, is that the prices of major production factors, including wages, and interest, are rising steeply."

Sim noted that the jobless rate remained at a low of 2.2 percent in the July-to-September quarter, down by four-tenths of a percentage point from the same period of 1993, while the yields of the benchmark three-year corporate bonds soared to 14.25 percent, up from 12 percent early this year. The KDI fellow said the last quarter period's economic growth is estimated to be more than 9 percent.

"Still, provided the government comes up with a 'stability-first' macroeconomics policy, the growth rate may slow to 7.0 percent next year," Sim said, adding this is the path the government should follow.

In sectoral forecast, the KDI report expected private consumption to increase more rapidly than last year by an annualized 7.5 percent rate, while businesses' facility investments should slow somewhat to rise by less than 10 percent.

Exports, despite brisk economic recovery in major industrial countries, will be affected more by the Japanese yen's reversal to weakness, and grow by a mere 9-10 percent pace, far lower than the 21 percent jump this year, the KDI report said.

The current account deficit, which swelled from \$400 million last year to \$4.7 billion in 1994, will further widen to between \$5 billion and \$6 billion, it said. The wider open domestic market, both in the merchandising and capital sectors, however, will likely worsen the deficit beyond that level. Invisible trade and the transfer payment deficit will also possibly to more than \$2 billion.

Although the economy is to expand beyond its safe growth potential level of 7 percent for two straight years, inflationary pressure is likely to ease somewhat from this year's estimated 5.7 percent, it said.

However, price increases in international commodity markets, continuously rising wages and relaxed regulations will likely combine to push up prices beyond the 6 percent level if the government fails to control the total demand properly.

In a recommendation for next year's macroeconomic operation, the think tank said that the government should place its policy priority on curbing inflation to no higher than 4 percent within two to three years, even if that means slowing the economic expansion.

It also said that if the government forces the current account shortfall to narrow, such a policy will bear desired results temporarily, but would end up re-expanding the deficit because the increased liquidity will boost inflation, thus appreciating the nation's currency.

The report recommended in conclusion that the government squeeze demand in three major sectors—money supply, budget operation and inflation.

"Under greater economic liberalization, the government should first reduce nonessential spending in the public sector, as a means of easing its burden to intervene in the foreign currency market, while preventing the shrinking of credit in private sectors at the same time said the KDI researcher," said the KDI researcher.

Economic forecast for 1995 (percentage from a year ago)

Classification	1993	1994					1995
	Year	1/4p	2/4p	3/4p	4/4p	Year	Year
Gross national product	5.6	8.9	7.8	7.5	9.3	8.4	7.0-7.5
Total consumption	5.3	6.3	7.1	7.2	7.5	7.0	7.1-7.3
(Private)	5.7	6.8	7.6	7.6	7.9	7.5	7.5-7.6
Total fixed investment	3.6	13.5	7.7	11.2	10.7	10.6	9.0-10.6
(Facility)	0.2	20.2	15.4	23.4	16.8	18.8	9.1-13.1
(Construction)	5.8	8.7	2.8	3.8	7.0	5.4	8.9
Merchandise export	9.8	6.6	16.5	12.5	21.1	14.4	8.6
Merchandise import	5.6	16.3	18.3	21.8	27.6	21.1	9.6-10.3
Current account balance (\$bil.)	0.4	-2.2	-0.4	2.0	-0.2	-4.7	-5.1- -5.9
Trade balance	1.9	-1.5	-0.1	-1.2	0.5	-2.4	-3.1- -3.8
Export	80.9	19.8	23.3	23.1	27.3	93.5	104.2
(%)	(7.7)	(7.0)	(16.3)	(13.0)	(24.0)	(15.4)	(11.5)

Economic forecast for 1995 (percentage from a year ago) (Continued)

Classification	1993	1994					1995
	Year	1/4p	2/4p	3/4p	4/4p	Year	Year
Import	79.1	21.3	23.5	24.3	26.8	95.9	107.3-108.0
(%)	(2.3)	(13.2)	(15.9)	(23.9)	(31.2)	(21.2)	(12.0-12.7)
Invisible trade & net transfer balance	-1.5	-0.6	-0.3	-0.7	-0.7	-2.3	-1.9- -2.1
GNP deflator	4.6	4.6	4.9	5.8	4.9	5.0	4.7-4.8
Consumer price inflation	4.8	6.5	5.9	6.9	5.8	6.3	5.8-5.9
(From year-end)	5.8	-	-	-	-	5.6	5.9-6.0
Producer price inflation	1.5	2.5	1.8	2.8	3.7	2.7	3.6-3.7
(From year-end)	2.0	-	-	-	-	3.9	3.3-3.4

Note: Figures tagged with 'p' are provisional ones. Source: KDI

Ministry To Revise Tariff Law To Buffer Prices

SK2012014294 Seoul THE KOREA HERALD in English 20 Dec 94 p 8

[FBIS Transcribed Text] Beginning next year, the government will rely on "special safeguard" provisions of the Uruguay Round accord when 111 agricultural products surge in their imports or their import prices plunge.

The 111 products are those whose imports the government has pledged to permit with tariff equivalents, or differences between domestic and overseas prices under the Uruguay Round accord.

When a domestic price of an item was 750 won and its overseas price was 500 won during the base period, for example, the tariff equivalent would be a 50 percent tariff rate when the Uruguay Round accord takes effect Jan. 1 next year.

The Ministry of Finance said yesterday that the government will revise the enforcement decrees of the tariff law this month to incorporate these special safeguards against an upsurge in imports and a plunge in import prices.

The special safeguards permit an additional tariff up to one-third of a tariff equivalent under the following conditions:

- imports increase 25 percent or more when their domestic market shares averaged 10 percent or less during the previous three years,
- imports increase 10 percent or more when the average of their domestic market shares ranged from 10 percent to 30 percent during the previous three years, or
- import increase 5 percent or more when the three-year average is larger than 30 percent.

The Uruguay Round accord also permits another type of additional tariff when an imported item's price declines 10 percent or more below the average import price during the 1988-90 period.

If the import price of an item, which is subject to 50 percent tariff, falls from 1,000 won in the 1988-90 period

to 300 won, for example, the government will be able to choose the larger of the two types of additional tariffs provided for by the special safeguard provisions of the Uruguay Round accord.

Central Bank Says Country Has 15th Highest GNP

SK2012023894 Seoul THE KOREA HERALD in English 20 Dec 94 p 8

[FBIS Transcribed Text] The country made a quantum leap to the ranks of advanced countries economically during the 1970-1992 period, but the quality of life was still inferior to those of industrialized nations as of the end of 1992, according to a report released by the Bank of Korea yesterday.

In 1992, the Korean economy ranked 15th across the world in terms of gross national product (GNP) tallied at \$305.7 billion, up from 33rd in 1970 and 27th in 1980, according to the report.

Korea's GNP, or the total value of goods and services produced in the economy in a year, was a meager \$8.1 billion for 1970 and \$60.6 billion for 1980.

The country's GNP increased to \$328.7 billion last year but the report lacked a worldwide GNP standing for 1993.

The United States topped the GNP list for 1992 with \$6,347.8 billion, followed by Japan with \$3,702.6 billion, Germany with \$1,792.2 billion, France with \$1,305.9 billion and Italy with \$1,202.7 billion.

Korea's per-capita GNP amounted to \$7,007 in 1992, placing it 38th worldwide. The nation's per-capita GNP was tallied at \$253, or 80th, in 1970, and \$1,597, or 62nd, in 1980. It grew to \$7,466 last year.

Switzerland placed first with a per-capita GNP of \$36,299, followed by Japan with \$29,795 and Germany with \$27,629.

Meanwhile, North Korea's GNP totaled \$21.1 billion in 1992, or 62nd in the world, while its per-capita GNP stood at \$943, or 88th.

The report also showed that during the 1971-1993 period, the country posted an impressive annual economic growth rate of 8.0 percent.

The nation's trade volume reached \$158.4 billion in 1992, or the 13th largest in the world. The figure was up from \$2.8 billion in 1970, or 41st, and \$39.8 billion in 1980, or 23rd. Last year, the trade volume rose to \$166 billion.

Output of crude steel jumped 65 times to 33 million tons in 1993 from 504,000 tons in 1970, while car production sky-rocketed to 1,259,000 units in 1992 from 13,000 units in 1970.

The nation's savings rate rose to 34.9 percent in 1992 from 23.2 percent in 1980, while the growth rate of consumer prices continued a downward trend.

Consumer prices rose at an annual rate of 14.9 percent between 1971-79; 8.1 percent between 1980-89; and 7.2 percent between 1990-93.

Despite the improvements in major economic indicators, the nation still lagged far behind advanced countries as of the end of 1992 in such quality-of-living standards as life expectancy, the number of doctors and hospital rooms, and television and telephone infiltration rates, according to the report.

* Country's Auto Parts Industry Said 'Weak'

942C0223B Seoul CHUGAN MAEGYONG in Korean
21 Sep 94 pp 72-73

[By reporter Yi Sang-kyo]

[FBIS Translated Excerpt] A wind of structural reorganization is blowing through the world's auto-parts industry. This is due to the extended influence of the restructuring of the finished-car industry. Forced out of the competition with Japanese companies, U.S. and European automakers are raising the percentage of their outside orders. Additionally, they are greatly reducing the number of companies with which they do direct business to make development more efficient and to cut back on purchasing-management expenses by improving their parts procurement systems.

The world auto-parts industry is thus caught up in an enormous maelstrom of change. It has been revealed that, amid this change, the ROK auto-parts industry remains weak. According to analysis from the Kia Center for Economic Research, the ROK auto-parts industry ranks low—after Belgium—among the 15 major car-exporting countries in the world. Total car exports were worth \$357.4 billion in 1992. Auto-parts exports totaled \$116.4 billion, or one-third of this. However auto-parts exports made up only 13.6 percent of the ROK car industry's exports.

Auto Parts Import Rate 77 Percent

In 1992, South Korea's auto-parts exports amounted to \$447 million. This is equivalent to only 0.4 percent of

world auto-parts exports. This is so small that it is only one-fourth or one-third the level of the major advanced countries, or even the levels of Mexico and Brazil. Fortunately, the export-growth rate is high, so future prospects seem more or less bright. With an annual average growth rate of 15.9 percent from 1988 through 1992, auto-parts exports are showing their highest growth rate ever. [passage omitted]

Austria had the highest share of auto-parts exports in 1992. Auto parts made up no less than 62 percent of its auto-related exports, twice the world average. Other nations with high auto-parts export ratios are the United States (52 percent), the United Kingdom (44 percent), Italy (43 percent), and France (41 percent).

Compared to the 45 percent of Brazil, a developing country, ROK auto parts make up only 14 percent of its car-related exports. This tells us that the international competitiveness of the ROK auto-parts industry is dropping significantly. In contrast, South Korea's auto-parts import ratio is very high, along with those of such nations as Mexico and Canada. Brazil's auto-parts import ratio is also high, but this is thought to be due to the fact that Brazil only recently authorized the import of finished cars.

South Korea's auto-parts import ratio is 77 percent. This ratio is expected to drop somewhat as finished-car imports rise. The auto-parts trade is another area in which South Korea is unable to avoid a deficit. This tells us that the domestic automotive industry is stuck in a typical ROK form of trade: import parts, export finished products. However, when one compares finished-car exports with auto-parts imports, the present scale of parts imports cannot be said to be great.

Mexico, which is becoming the second North American car-production base after Canada, shows a high auto-parts import ratio of 89 percent. Its auto-parts-import growth rate too—56 percent—is the world's highest. However, at 32 percent, its auto-parts export ratio is nearing the world average. These figures have dropped a lot recently with the rapid increase in finished-car exports.

The absolute number of Mexico's auto-parts exports is four times that of South Korea. This tells us straightforwardly that the competitiveness of Mexican auto-parts is greater than South Korea's. Given this, we can see that the ROK auto-parts industry is considerably backward. Of course, a major cause of this is the preferential commitment of resources to the finished-car industry.

Ensuring the competitiveness of the entire automotive industry is not easy. It is even more difficult for nations like ours, which got off to a late start. It was the concentrated investment in the finished-car sector to secure international competitiveness within a short period that produced today's results.

However, it is the general view that the future of the ROK auto-parts industry is bright. South Korea's auto

industry is basically pursuing Japanese-style, self-sufficient development. In particular, the rapid growth of the finished-car sector, as it expands the demand base of the auto-parts industry, is becoming a condition elevating the auto-parts industry's growth potential. In fact, the technological accumulation of the auto-parts industry is being realized at a very rapid pace with the expansion in finished-car production capacity. With the promotion of the domestic production of auto parts, the industry's exports too are showing a high growth rate.

The high auto-parts-export growth rate and low import growth rate is another factor brightening the future of the ROK auto-parts industry. Thus, the positive efforts of the industry must support this in order to enable the ROK auto-parts industry to continue to develop and in order to make possible the development of an independent auto industry. Furthermore, the recent restructuring of the world auto industry is providing us with a great opportunity.

International demand for ROK-made auto parts is increasing greatly. Feeling the burden of weakened price competitiveness resulting from procurement of Japanese-made auto parts and the influence of a strong yen, Japanese companies in particular are expanding their purchases of ROK-made auto parts. Japan is presently experiencing a weakening of connections between parent companies and their subcontracting enterprises and intensified price competition between auto-parts companies. With diminished price competitiveness due to a strong yen, the finished-car industry is demanding a supply unit price on a level unlike that of the past. It is beginning very aggressive foreign procurement. In the case of Toyota, in the next three years it will pressure affiliated auto-parts companies to lower the cost of parts by an average of 3 percent annually.

Thus, pressured by their parent companies to lower the cost of parts, Japanese auto-parts companies are expanding purchasing from South Korea, centered on basic materials. A considerable number of companies are moving to expand procurement of ROK-made parts: Tokyo Buhin Kogyo, Ohi Seisakusho, Calsonic, and Hitachi Metals. Purchasing of ROK-made auto parts is brisk among finished-car manufacturers as well as auto-parts companies.

Future Bright with Expansion of Friendly Relations, Accumulation of Technology

Nissan Motors is pursuing the importation of special steel materials for use in gear shafts. It also plans to order cylinder blocks from South Korea. Mazda recently concluded an agreement with Kia Motors to purchase 56 different types of parts worth a total of \$40 million annually. It is also increasing its parts procurements from Aju Metals and Chongwon Industries. Mazda is even ordering air-conditioning parts, from Halla Kongjo in particular.

Mitsubishi, Honda, and Mazda decided to order cold-rolled steel plate for use in car bodies from South Korea

and are presently sounding out the intentions of Pohang Steel. The price of Pohang's cold-rolled steel plate is reportedly 10 percent cheaper than that supplied by Japan's Hino Corporation. Hino began importing cylinder blocks and related parts from Asia Motors.

Thus, ROK auto-parts companies must take this opportunity to actively participate in this wave of change. They need to further strengthen the efficiency of production and product development. It is also important that they break away from their exclusive affiliation with their parent companies. International technology and product quality is required to meet increasing foreign demand. Conversion to large models is one of the tasks necessary for accomplishing this. Survival is possible only if they cultivate their own design, mold-manufacturing, and international-procurement management capabilities. Although its growth still lags behind that of finished-car makers, the auto-parts industry, if it makes good use of this opportunity, could develop to a level where it could secure international competitiveness and compete on the world market.

*** Thirty Large Conglomerates Add New Subsidiaries**

942C0221B Seoul CHUGAN MAEGYONG in Korean 7
Sep 94 pp 26-27

[By reporter Kang Pok-ku]

[FBIS Translated Text] The families of the 30 largest conglomerates did not fail to increase during the first half of this year too. The subsidiaries of the 30 largest business groups increased by a total of 23 companies during the first half of this year, bringing the number of domestic corporations to 594, according to the statistics of the Office of Bank Supervision and Examination. Not everyone looks kindly on this increase in conglomerate subsidiaries and the Office of Fair Trade is moving to regulate it by lowering investment limits, etc. But this trend of major groups to add new subsidiaries continues. However, the subsidiaries added during the first half of this year differ from those added in previous trends. Most of these companies have proven to be dummy subsidiaries; others too are for sewing seeds in fields that have potential for future profitability, such as finance, aviation, information and communications, and the environment. The explanation of the financial sector, that this represents minimal investment for ensuring future competitiveness, is also compelling. Some of these corporations, by group, are as follows: Hyundai's Hyundai Technology Development, Samsung's Korea Fertilizer, Lucky Goldstar's Elji Department Store, Daewoo's Our Automobile, Sunkyong's Korea Mobile Communications, Hanjin's Air Freight Terminal, Kia's Kia Electronics, Taerim's Taerim Environmental Development, Kumho's Kumho Telecom, Doosan's Doosan Construction Integrated Technologies Corporation and Doosan Information and Communications, Hyosong's Hyosong Information and Communications, Halla's

Tongu Environmental and Halla Paper, Tongguk Steel's Korean Resources, Koorong's Sinsegi Mobile Communications, and Pyoksan's Inhui Industries. These corporations are a barometer showing in which sector each group is going to concentrate its efforts in preparation for the 21st century. As for the Samsung Group, it readmitted three companies proven to be dummy subsidiaries, Hanil Wire, Korea Precision Chemical, and Cheil Futures, and, with the reorganization of Tongbang Building Management and Samsung United Aviation, it added only one company. Although not formally added to the group this time, Hanbi, which Samsung acquired, is drawing the most interest from the Samsung Group. Samsung decided to make a serious move, centered on Hanbi, into the precision-chemical sector. It is even setting up a plan to commit 1-trillion won to the venture in the future. A Samsung takeover team has been sent to Hanbi and is presently conducting various on-site investigation operations. The Hyundai Group added seven new corporations: Hyundai Technology Development, Yongjin Petroleum, Hyundai Distribution, Tonghae Maritime Transportation, Seoul Production, Sojin Aviation, Hyundai Yak Aviation. Four of these companies, Hyundai Technology Development, Yongjin Petroleum, Hyundai Distribution, and Sojin Aviation, were added as dummy subsidiaries. Seoul Production has already merged with Kumgang Planning. Tonghae Maritime Transportation and the other companies are being fostered at the level of rationalizing product distribution. In the Hyundai Group, the aviation-related companies Hyundai Technology Development and Hyundai Yak Aviation are getting more attention. Hyundai Technology Development, its entire investment amount covered by Hyundai Precision Industries, was incorporated last February with a scale of W1.5 billion in capital. It will spearhead the Hyundai Group's drive into the aviation industry, with medium-sized rotor and fixed-wing aircraft.

All Claim to "Target the 21st Century" Hyundai Yak Aviation was set up as a joint venture by the Yak Corporation, a Hyundai-Russia joint venture aircraft company. It was established with 51 percent of the investment made by Hyundai and 49 percent by Yak. This joint venture company is planning to jointly develop succeeding new types of civilian aircraft and sell them all, including medium and small-sized aircraft developed by Yak, on the world aircraft market, including those of the U.S., Europe, and Central and South America. A 150-passenger aircraft and short-range passenger plane are being considered as new types of succeeding aircraft. However, Hyundai Heavy Electronics and Hyundai Equipment Industries were merged into Hyundai Heavy Industries. Urim Petroleum, newly added to the Hyundai Group, is causing a heated controversy with Ssangyong Oil Refining. Soon after Hyundai incorporated Urim Petroleum, Ssangyong strongly opposed this and even took legal action, such as applying for an injunction. The Daewoo group took over or set up four companies: Tongu Joint Management,

Daewoo Automobile Sales (presently Our Automobile Sales), and Korea Installment Financing. Of these, all but Korea Installment Financing had been designated dummy subsidiaries and so were added to the group this time. Tongu Joint Management is a building management firm. Korea Industrial Electronics, as a subsidiary of Daewoo Heavy Industries, is an electronic spare parts firm manufacturing industrial-use NC lathe controllers. Of the new corporations, Our Automobile Sales and Korea Installment Financing handle car sales, but they are presently following procedures to break away from the group [and form their own company]. In the Daewoo Group, Daewoo Shipbuilding and Daewoo Heavy Industries will merge this October. Lucky Goldstar added ten companies as subsidiaries. At the same time, however, it liquidated ten companies, so there was no increase in the number of its subsidiaries. Drawing the most attention among Lucky Goldstar's newly established corporations, Eljimaki [an apparently non-Korean name rendered phonetically] (presently Elji Department Store) is for launching into the department-store industry. Elji Department Store No. 1 is located in Ansan and will be watched with interest in the future as the group is planning to concentrate investment in this sector. Elji Finance was set up to handle installment financing of electronic products, clothing, etc. Seoul Futures was included as a dummy subsidiary. Meanwhile, seven companies, Taeil Petroleum, Kwangil Petroleum, Kumsong Petroleum, Taegyong Petroleum, Pusan Petroleum, Puhung Petroleum, and Samhwa Petroleum were added to the group but then immediately subjected to merger by joint sale. The Sunkyoung Group added Kyongjin Maritime Transportation, designated a dummy subsidiary, of the Yugong Maritime Transportation group. Acquiring Korea Mobile Communications, the Sunkyoung Group accelerated its move into the information and communications industry. Sunkyoung acquired 23 percent of Korea Mobile Communications at W427 billion and has been participating full-scale in management since August. The Ssangyong Group added eight new subsidiaries. Six were liquidated, so the group recorded a true increase of two companies. However, none are particularly remarkable.

Dummy Subsidiaries Exposed One after Another These newly added subsidiaries include two proven to be dummy subsidiaries—Dragon Tours and the maintenance company Taean Industries—and Ssangyong Finance, created for automobile installment financing. However, five of the newly added companies, Sachan Petroleum, Kumsong Petroleum, Kyongwon Petroleum, Kangwon Gas, and Hanil Lubricants, were acquired by Poma Petroleum, keeping the increase down to three subsidiaries. The group was actually reduced by a total of three companies, its representatives explain, since it consolidated six. The Hanjin Group established three companies: Air Freight Terminal, Hanjin Geographical Information, and KAL Tour Development. Of these, Air Freight Terminal has W2.2 billion in capital and deals with air-freight storage and bonded equipment; with W1

billion in capital, Hanjin Geographical Information handles surveys and other geographical-information projects; with W1 billion in capital, KAL Tour Development specializes in transportation-related services. Of these, KAL Tour Development, a tour wholesale dealer developing foreign-travel products and selling them to ordinary travel agencies, is strongly opposed by the travel industry. The Kia Group added three companies: Kia Electronics, Korea AB System, and Kia Auto Finance. Kia Electronics and Korea AB System were set up to strengthen Kia's automotive electronics business. Kia Electronics was a joint venture with Anam Electronics; Korea AB System, with Gernamy's Posui [spelling?]. Kia Auto Finance is a car installment-finance company with W120 billion in capital. The Taerim Group added five companies: Nama Chemical Engineering, Haesong Industries, Chungbu, Purim, and Taerim Environmental Development. Set up as a daughter firm of Taerim Engineering, Taerim Environmental Development is in charge of waste disposal. The Hanhwa Group added three new companies: the Seoul Transportation Corporation, Samhui Tourism, and Suwon Tourism, however, these are all dummy subsidiaries. The Kumho Group created Kumho Telecom. Kumho was late to participate in the selection for the Second Korean Mobile Communications Project and so ended up being only a profit shareholder. As a result, it established Kumho Telecom as a daughter company in order to prepare well in advance for the anticipated third and fourth mobile communications projects. The Hyosong Group established Hyosong Information and Communications, entirely financed by Tongyang Nylon. Hyosong representatives revealed that it was planned for Hyosong Information and Communications to be in charge of financial-computing-related software. However, diversification is predicted for this industry in the future. The Tusan Group took over the Construction Integrated Technologies Corporation to invigorate [its activities in] the construction field. It is attracting attention with Tusan Information and Communications, which it established in order to participate in the information and communications field. The Halla Group created two companies: Tongu Environmental and Halla Paper. Of these, Tongu Environmental, as a waste-disposal firm, was a strategic move for participation in anticipated environment-related industries. With W4 billion in capital, Halla Paper manufactures newsprint. Importing machines with production speeds of 1,700 mm per minute from the German company Poisu [spelling?], Halla Paper plans to produce newsprint on a scale of 150-thousand tons annually beginning in 1996. The Kohap Group set up a financial-service company with W10 billion in capital to be in charge of installment financing and it acquired the information and communications company Easton [Isuton] Electronic Communications. Of these, Easton Electronic Communications was a strategic move for participating in the information and communications industry. It is expected to be the object of concentrated investment in the future. Easton

Electronic Communications manufactures electronic-communications instrumentation. On August 23rd, it changed its company name to KNC.

Mid-Level Government Officials Rate Presidents

SK2012021894 Seoul YONHAP in English 0121 GMT
20 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP)—Mid-level officials at central government agencies have given President Kim Yong-sam 64.5 points out of a possible 100 for his conduct of state affairs, the second highest mark behind the 73.7 earned by Pak Chong-hui, according to a recent survey.

The poll, conducted by the monthly CHOSON magazine, asked 234 division director-level officials of government ministries and agencies to rate former and incumbent presidents in respect to their conduct of state affairs.

Syngman Rhee placed third with 60.4 points, followed by Chon Tu-hwan with 54.3 points, No Tae-u with 51.2 points and Yun Po-son with 50.1 points.

Pak won more than 70 points from officials of all ministries and agencies and 83.6 points from the Defense Ministry's division directors who are mostly Army and Air Force colonels or Navy captains on active duty.

The Defense Ministry officers gave the next highest mark of 72.8 points to Kim, even though he shook up the military leadership with a purge under his reform program: The civilian commander-in-chief's rating compares with the 66.7 points and 56 points these officers gave generals-turned president Chon and No, respectively.

This indicates that the defense ministry officers supported Kim's purge of army officers involved in the politically minded private group Hana-hoe, which was once led by Chon and No while they were in the army.

Asked about the country's future power system, 58.5 percent of the respondents cited the presidential system and 37.6 percent a cabinet system.

As for professional groups which are socially overrated, 36.5 percent cited politicians, 32.4 percent journalists and 23.3 percent professors. Most respondents said civil servants and businessmen are underestimated.

Those who are satisfied with their public service jobs accounted for 53 percent of the respondents: They cited as reasons participation in major policy-making, service in the public interest and a sense of achievement as a civil servant.

Those who are unhappy with their jobs pointed to low wages, the sacrifice of their private lives, limited promotion chances and unfair personnel policy as reasons for their dissatisfaction.

Kim Tae-chung: No Intention To Return to Politics

SK2012025894 Seoul YONHAP in English 0109 GMT
20 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 20 (YONHAP)—Denying he will re-enter the political arena, Kim Tae-chung, chairman of the Asia-Pacific Peace Foundation, has reiterated that "I will not engage in party activities and not run in the (presidential) election."

"All things are caused by excessive press reports," Kim said in an interview carried in the January issue of the monthly magazine CHOSON, adding that his recent urging of the opposition Democratic Party to return to parliament was "a matter of course to do as a citizen and party member and could not be regarded as a political activity."

He insisted, "As a citizen, however, I can express my opinion if there are grave things in the country, and many retired senior statesmen around the world are doing so."

Turning to the qualifications needed by the Seoul city mayor, Kim opined, "It's wrong to think the mayor must have administrative capability. A politician or a social worker rather than an administrator is desirable for the post."

*** Article on Starting Corruption-Free Nation**

952C0024A Seoul HANGUK ILBO in Korean 13 Oct 94
p 5

[By SNU Professor Pak Sang-sop: "Korean Society at the Crossroads"]

[FBIS Translated Text] The war on corruption is what the new government has been waging most energetically since its inauguration last year. The struggle, carried on with perseverance under the slogan of rectification and reform, produced significant results and drew much applause from the public. When authorities launched investigations, few people must have thought that the corruption of the bureaucratic world was not just confined to specific strata such as politicians and high officials but spread to all other parts of society.

But major cases reported successively of late raise strong suspicion that the problem is after all not confined to specific parts of society. Many of those who were made targets of reform showed an attitude as if they were being unfairly treated rather than feeling sorry for what they had done; to make it worse, even ringleaders in utterly bizarre cases became so impudent and bold as to point the finger at society. These things are simply unthinkable in a normal society. Nowadays it does not take a sage to cry "Only those not guilty throw a stone"; criminals themselves are doing it.

From the viewpoint of those immersed in the conventional way of thinking that corruption is the monopoly of

some politicians and public officials, word like total or nationwide corruption cannot but be a shock. It is because practices heretofore accepted with no guilty conscience are now viewed as having moral or legal problems and, as a result, every one feels that he or she might be an offender or sinner. Still, the reality is that every one now finds it difficult to deny or evade the problem, however shocking it may be.

This phenomenon of corruption involving the whole society is directly linked to the fact that the political power in the past was in the hands of the successive regimes that lacked national legitimacy. The lack of legitimacy and the want of loyalty stemming from it were supplemented by material compensations, and resources needed for such compensations were raised by methods overstepping the bounds of law and morality. While those practices were in place for more than 40 years, the authority of law and morality inevitably fell to its lowest and even the norms to control improprieties crumbled down. Under the circumstances in which no one could seriously blame anybody else, a strange notion developed that those who fall behind others because they are in no position to engage in improprieties are allowed to break or evade the law. In this situation, it was difficult to find a logic to counter it head-on.

The problem is that the government and the world we live in have indeed changed but irregularities that have taken root in individual habits and social practices can hardly be corrected overnight. This does not mean that we can leave structural irregularities and corruption as they are. Democracy based on national legitimacy is a political system under which it is an ideal if the government power intervenes in events in society only through the due process of law, and if it minimizes even such interventions. This ideal is premised on the assumption that matters relating to social life can be managed autonomously within society.

If society lacks that ability for whatever reasons or causes, it is highly possible that the ideal of the civilian government will end in disappointment. The reason is that if it goes for order, it will have to resort to more powerful intervention by government power at the risk of increased authoritarianism, and that if it still fails to establish order, society will collapse from within. Either way, it is anything but democracy. Now our whole society has been plunged into the same dilemma as the political world was in the past. Motorists would experience little troubles at an intersection as long as there is a police officer controlling traffic there; once the officer is gone, disorder takes over, creating a jam that no one can go through. This daily scene on our streets clearly illustrates the realities of our society.

Society is made up by individuals. It is therefore important that each and every member of it wakes up to his or her moral obligations. In this sense, it could be useful to make them read "Myongsim Pogam" [a classic moral education textbook]. But it is not because people are

mentally unable to tell right from wrong that society is plunged into this sort of social dilemma. Consequently, calls for stepped-up individual moral education do not sound very appealing. Also, legalistic approaches are not likely to draw much support from the public who already tasted freedom. Nor are they likely to be able to effectively remedy the disease that has spread out.

In fact, there seem to be no realistic ways to correct a corrupt society while maintaining civil liberties. It might be possible theoretically but not in practice. If worse comes to worst, we could fall to a third-class nation again. Without moral reform, there can be no further development. Moreover, we cannot even remain where we are now but have to fall out. That is the reality of

international politics. We should keep in mind that, historically, all countries that took a leading position thus far were those which accomplished the difficult task of moral reform successfully.

This is the time someone should come forward in our society, instead of everyone just looking up to the government for something. The time has come for someone to come forward courageously with an idealist doctrine viewing the nation and society as an incorruptible, unchanging transcendental existence. In fact, if the nation and society become corrupt, it will indeed create truly difficult problems. Corrupt leaders and officials are replaceable. But if a nation and society become corrupt, they cannot be replaced, can they?

Cambodia

Minister Links Military, KR on Logging Deals

BK2012123694 Hong Kong AFP in English 1129 GMT
20 Dec 94

[FBIS Transcribed Text] Phnom Penh, Dec 20 (AFP)—Cambodia's environment minister admitted Tuesday that elements within the military had bought timber from the Khmer Rouge but still blamed the guerrillas for many of the country's environment problems. "Khmer Rouge cut down trees and sell logs to businessmen and sometimes to some irresponsible military," Mok Mareth said at a press conference.

"The Khmer Rouge are the main actors in forest destruction, in Pailin they cooperate with foreigners to exploit gem stones and this causes environmental deterioration," he said, in an apparent reference to Thai business deals with the guerrillas.

The under secretary of state for the environment, Ly Thuch, also blamed the Khmer Rouge for environmental problems but added that Cambodians were also engaged in "irresponsible activities."

"I mean the rich people who have power and who have the financial means to destroy our environment," he said without elaborating.

On December 8, Cambodian journalist Chan Dara was shot and killed in Cambodia's central Kompong Cham province in an incident which many Cambodians believe was linked to his reporting of official participation in illegal logging.

Police quickly arrested the suspected killer and Kompong Cham governor Hun Neng, brother of co-premier Hun Sen.

Widespread deforestation has in recent years reduced Cambodia's forest cover in Cambodia from 70 per cent to just 40 percent, Ly Thuch said.

The two officials also called on ordinary Cambodians to be more responsible for safeguarding their environment.

Khmer Rouge 'Cabinet' Issues Communiqué

BK2012032094 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 19 Dec 94

["Press communiqué" issued by the Secretariat of the Provisional Government of National Union and National Salvation Cabinet on 19 December; place not given]

[FBIS Translated Text] The cabinet of the Provisional Government of National Union and National Salvation [PGNUNS] held its weekly work session on Monday, 19 December, under the chairmanship of His Excellency

Khieu Samphan, prime minister and minister of the National Army, and with the participation of all its members.

1. After hearing the reports presented by the ministries and discussing them in all aspects, the cabinet clearly noted that the overall situation of the two-headed traitors and their bosses—the old and new enemies—shows that they are plummeting deeper and deeper in every field.

Politically, they are resolutely opposed and rejected by the Cambodian nation and people at home and abroad. They are opposed by the 7 million peasants, by the students in Phnom Penh, and by our brothers living overseas. Not a single Cambodian backs the two-headed traitors. Our brothers are attacking them again and again on every issue.

Our entire Cambodian nation and people can clearly see through them. They have already been judged as a gang of nation-selling and nation-destroying traitors who have permitted communist Vietnam to send 4 million Vietnamese nationals to wolf down and swallow up Cambodia as they have allowed communist Vietnam to parcel off tens of thousands of square kilometers of Cambodia's territory, sea, and islands. They have permitted the U.S.-Australian-French warmongers to collude with communist Vietnam in sabotaging national reconciliation and peace and in fanning the flames of the Vietnamese war of aggression and genocide against Cambodia.

Militarily, the two-headed army—70-80 percent of which has already collapsed since the end of the last dry and rainy seasons—is now collapsing even further. The completely demoralized two-headed soldiers, now dying from hunger and starvation, are deserting their ranks by the dozens and in whole units. Their attempts to recruit soldiers and conscript youths have failed. As for their henchmen the civilian administrators and the espionage, intelligence, and pacification agents in the villages, communes, and districts, they are being smashed and swept away one by one.

Economically, they have virtually nothing left. The two-headed traitors are eking out a living in their last moments only by going around and begging others for alms and auctioning off our nation and people's lands, rivers, lakes, seas, and islands to foreign merchants. As far as the scant aid money is concerned, it has been scraped up and wasted in the flames of communist Vietnam's war of aggression. They have indeed proved to be extremely wasteful spendthrifts.

Diplomatically, the two-headed traitors are opposed and rejected everywhere by peace-loving people all over the region and the world. The countries and people in the region do not want the two-headed traitors to be the lackeys of communist Vietnam and the U.S.-Australian-French warmongers and continue to ignite the war in Cambodia, thus harming regional security and

stability. These countries and people—who have supported the correct cause of our Cambodian nation and people all along—want to see Cambodia achieve national reconciliation and an end to the war.

II. What is the cause of the headlong plunge in the situation surrounding the two-headed traitors and the old and new enemies? The cause is that our entire Cambodian nation and people are resolutely opposed to the communist Vietnamese war of aggression and genocide; to the communist Vietnamese puppets; to the nation-destroying, people-killing, and extremely corrupt two-headed traitors; and to the U.S.-Australian-French warmongers who are colluding with the communist Vietnamese aggressors to undermine national reconciliation and peace, continue to fan the flames of communist Vietnam's war of aggression, and wreak endless havoc.

Our entire Cambodian nation and people do not want the communist Vietnamese war of aggression to be further ignited. More than anything, we want and need peace through national reconciliation and national concord. The countries and people in the region and the world also want peace and national reconciliation in Cambodia.

This is the invincible force that has inflicted one serious defeat after another on the old and new enemies and their two-headed stooges in all fields and all directions. This force has enabled us to save our Cambodian race, thus preventing us from being wiped out and becoming a second Kampuchea Kraom [former Cambodian territory now part of Vietnam]. This force is growing with each passing day; nothing can withstand it. The warmongers—the communist Vietnamese aggressors, the United States, Australia, and France—and a handful of two-headed traitors absolutely will not prevail over the forces of peace and national reconciliation. National reconciliation and national concord will surely be achieved.

III. At a time when our entire Cambodian nation and people in the countryside as well as in Phnom Penh and abroad are commemorating the 16th anniversary of the communist Vietnamese war of aggression and genocide against Cambodia with the highest degree of indignation, we would all like to pledge to continue the struggle even more persistently, actively, and vigorously—fighting in all forms and everywhere—to achieve national reconciliation and national concord in the near future.

Only by achieving national reconciliation and national union free of any political coloring and by forming a truly national government made up of national forces from all political affiliations can Cambodia enjoy peace. Only in this way can we put an end to all the misery experienced by our Cambodian nation and people thus far and save the Cambodian nation, people, and race forever.

Monday, 19 December 1994
The Secretariat of the PGNUNS Cabinet

Laos

State Bank Ready To Support Thai Investors

BK2012093094 Bangkok KRUNGTHEP THURAKIT in Thai 20 Dec 94 p 18

[FBIS Translated Text] Chiang Mai—Boutsabong Souvannavong, governor of the state bank of the Lao People's Democratic Republic (LPDR), informed KRUNGTHEP THURAKIT that it is policy for the state bank to give full financial support to foreign entrepreneurs who come to invest in Laos. Moreover, he said, the investment law promulgated by the Lao Government will further increase foreign investors' confidence as well as facilitate foreign investment projects. Under the law, foreign investors are allowed to send home the profit they earn from doing business in Laos.

Boutsabong revealed that the state bank has set up the economic information center to help foreign investors who wish to invest in Laos. Necessary information for foreign investors is available at all commercial banks operating in that country.

Boutsabong disclosed that there were approximately 167 projects with the capital investment of \$198.085 million launched by Thai investors in Laos in 1993. Most of these projects concern land development, finance, banking, tourism, communications, construction, and mining businesses.

The LPDR bank, according to Boutsabong, has provided loan sources for Thai investors in many projects such as the construction of Nam Theuan Dam-2 hydropower project and the road from Louang Namtha-Boten to the southern border of China and lignite mining in Hongsa area.

Boutsabong said that the open door policy including trade liberalization with neighboring countries under the economic quadrangle scheme is conducive to Lao national development because foreign investors will bring more money to invest in Laos and create more jobs for the Lao people.

Boutsabong said: "The LPDR bank is ready to provide sources of financial support for any project that will bring prosperity and generate jobs for the Lao people."

Philippines

Romulo Calls PRC Spratlys Warning 'Paranoid'

BK2012041094 Quezon City Radio Filipinas in English 0230 GMT 20 Dec 94

[FBIS Transcribed Text] Philippine Foreign Secretary Roberto Romulo called China paranoid on Monday for fearing that Vietnam's impending membership in ASEAN will lead to a common front against China. Romulo was reacting to Chinese charges that the Association of Southeast Asian Nations, or ASEAN, might

back Vietnam's claim to the Spratly Islands in the South China Sea, which China also claims.

A Chinese representative to an international forum in Bangkok last week cautioned ASEAN against backing Vietnam in its Spratlys claim. ASEAN groups Brunei, Indonesia, Malaysia, Singapore, Thailand, and the Philippines. China, Vietnam, the Philippines, Brunei, Malaysia, and Taiwan have whole or partial claims to the Spratlys, which are believed to hold large oil and gas reserves.

Romulo has expressed confidence that all claimants will adhere to a 1992 declaration calling for a peaceful resolution of the dispute.

Government Approves Infrastructure Projects

*BK2012035594 Manila BUSINESS WORLD in English
16 Dec 94 pp 1, 6*

[Report by Micheline R. Millar]

[FBIS Transcribed Text] The government approved P [pesos] 15.56 billion worth of major infrastructure projects in yesterday's monthly Cabinet-level meeting of the Investment Coordinating Committee (ICC) at the Bangko Sentral [Central Bank].

Based on official documents provided by the National Economic and Development Authority (NEDA), the projects are:

- the P1.83-billion agrarian reform infrastructure support project;
- Phase III of the Metro Cebu Development Project (MCDP III) which covers two components, the P7.68 7-billion Cebu south coastal road project and the P4.112-billion Cebu south reclamation project;
- the P401-million retrieval of drainage system in flood-prone areas in Cebu City; and
- the P1.63-billion maritime safety improvement project.

The Cagayan de Oro-Iligan (Laguindingan) airport project, which was up for approval during the ICC meeting, was temporarily shelved as its proponents were required to scale down the project to make it more viable.

The agrarian reform infrastructure support project will be funded by the 20th yen credit package of the Overseas Economic Cooperation Fund (OECF).

Through its implementing agency, the Department of Agrarian Reform, the project will provide infrastructure support to selected agrarian reform communities such as irrigation, roads, post-harvest facilities, and technological support in the form of institutional capability building.

The two components of the MCDP III will also be funded by the 20th yen loan. The Cebu south coastal road project, which will be implemented by the Department of Public Works and Highways, will run 11.72 kilometers from the Laua-an-Talisay-Mohon road to the end of Macarthur Blvd., Port Area, Cebu City.

The Cebu south reclamation project will be patterned after the country's existing export processing zones.

It will cover 330 hectares located along the shoreline areas from Tangke, Talisay to Port Area, Cebu City. The project will be handled with the Land Bank of the Philippines.

The retrieval of drainage system in Cebu is a project of the city government and will be financed by a grant from the Japan International Cooperation Agency. The project has two components: the procurement of equipment and transfer of technology and the maintenance of the equipment.

The maritime safety improvement project, to be funded by the 20th yen loan, will be implemented by the Department of Transportation and Communication and the Maritime Industry Authority.

The project has six components: the rehabilitation of 31 lighthouse and the connection of nine new ones in the Luzon and Visayas regions; the installation of 10 light buoys in Cebu; the installation of two radio buoys; the upgrading of the buoy basin in Cavite; the procurement of a 56.9 meter buoy vessel; and six training components.

Trade Deficit Up 27.4% in First 10 Months

*BK2012064494 Manila BUSINESS WORLD in English
16 Dec 94 pp 1, 6*

[Report by Cybele C. Lucero]

[FBIS Transcribed Text] Trade deficit during the first ten months of the year increased further to \$6.5 billion, up 27.4 percent from \$5.1 billion posted in the same period in 1993. Total trade during the period amounted to \$28.5 billion, an increase of 21.3 percent from the \$23.5 billion transacted during the previous year.

Latest data from the National Statistics Office [NSO] show that import payments reached \$17.5 billion while export receipts totalled \$11 billion. The stronger peso has adversely affected the competitiveness of exports even as it induced imports in time for the Christmas season.

Total trade in October reached \$3.183 billion, an increase of \$516 million from the same month last year. However, it was lower by \$23 million over last September's \$3.206 billion.

Total imports during the month grew to \$1.884 billion from their year-ago level of \$1.655 billion. Aggregate

export earnings, on the other hand, went up \$286 million to \$1.299 billion from their 1993 level.

A monthly comparison shows exports inched upward from \$1.239 billion in September, reflecting a \$60 million increase. Meanwhile, imports decreased \$83 million from \$1.967 billion in the previous month.

The October trade deficit decreased \$143 million to \$585 million from a deficit of \$728 million in September.

Legislators included in the Export Development Bill a fiscal incentive for manufacturing firms using indigenous raw materials. Hopefully, this will help bring down import expenditures.

Topping the list of principal imports for the month in review were electronics and its components which cost \$268.47 million, a substantial increase from \$194.46 million in the same month last year. Electronics and its components accounted for 14.3 percent of total payments made in October.

Similarly, foreign exchange earned from electronics and components topped the list of major exports with receipts amounting to \$346.79 million.

Local production of semiconductors and micro-circuits for export uses imported electrical raw materials. Semiconductors and micro-conductors exports comprised 26.7 percent of overall export receipts in October.

Meanwhile, importation of mineral fuels, lubricants, and related materials was the second largest with a value of \$190.03 million. It was 6.7 percent higher than the year-ago level, but 1.8 percent lower than the previous month.

Imports of telecommunication equipment and electrical machinery increased by 55.3 percent in October to \$155.9 million, or \$55.54 million more than payments made last year.

Significant investments have been made in the telecommunications industry in the last couple of years. The industry was one of the first to be liberalized right after President Fidel V. Ramos assumed the presidency. Telecommunications is among the priority industries needed to propel developing countries toward industrialization.

Other principal imports for the month were industrial machinery and equipment; transport equipment; textile yarn and fabrics; iron and steel; materials imported on consignment basis; paper and paper products; and, power generating and specialized machinery. Aggregate payments for these top imports reached \$1.3 billion.

Japan, including Okinawa, remained the top supplier of Philippine imported goods for the months of January to October this year. Imported Japanese products amounted to \$4.236 billion, cornering 24 percent of total imports made by the Philippines.

American goods worth \$3.249 billion followed and accounted for 19 percent of total imports during the period.

Other major sources of import goods were Singapore, Republic of Korea, Taiwan, Saudi Arabia, Germany, Australia, and Indonesia.

According to the NSO, there are still some uncollected documents. As of press time, 77 out of 36,376 export documents and 29 out of 40,922 import documents are still expected to come in from outports. [sentence as published]

Military, MNLF Claim Cease-Fire Violations

MNLF Accuses Military

BK1912044094 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 18 Dec 94

[FBIS Translated Text] The MNLF [Moro National Liberation Front] accused the AFP [Armed Forces of the Philippines] yesterday [18 December] of attacking their men in violation of the cease-fire agreement. The MNLF warned that this military provocation could derail the ongoing peace talks between the Muslims and the government.

According to the MNLF report, government forces attacked one of their camps in Zamboanga del Sur on 13 December. The military attacked again the following day, resulting to eight hours of fighting. Three soldiers died and four were wounded while only two rebels were wounded in the encounter. The report was signed by (Alhasi Hassal), MNLF member of the joint cease-fire committee.

The Southern Military Command has not released any official response to the MNLF accusations so far.

Military Denies Violation

BK2012025794 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 19 Dec 94

[FBIS Translated Text] The AFP [Armed Forces of the Philippines] has ordered the deployment of 100 Army troopers to Kalinga-Apayao to pursue the communist rebels who ambushed an Army patrol last Saturday [17 December]. Four soldiers died and several others were wounded. The soldiers were on a passenger jeepney when they were ambushed by the rebels.

General Enrile explained that his order to launch a pursuit operation is not a cease-fire violation because it can be considered self-defense. According to General Enrile, the killed and wounded soldiers came from the 45th Infantry Battalion and 2d Special Forces Company. They were in civilian clothes when attacked. They were planning to celebrate Christmas away from their detachment because of the unilateral cease-fire declaration.

The cease-fire declared by President Ramos took effect on 16 December and will end on 8 January. The cease-fire aims to give soldiers and rebels a chance to celebrate Christmas with their families without any fear of danger.

Muslim Guerrilla Activities Reported

Clash Reported Near Cotabato

BK2012114194 Hong Kong AFP in English 1120 GMT 20 Dec 94

[FBIS Transcribed Text] Cotabato, Philippines, Dec 20 (AFP)—Fifteen soldiers, police and militiamen were killed in a clash with Muslim guerrillas attacking a Japan-funded dam project near this southern city, eyewitnesses said Tuesday.

Four journalists from the DXMS radio station—in the area to investigate reports of continuing clashes—told AFP they found the bodies Tuesday scattered around their burned-out armoured personnel carrier. Clashes between the government and the Moro Islamic Liberation Front (MILF) lasted all of Monday in Gocotan village, about five kilometers (three miles) from the 54-million-dollar Malitubog-Maridagao project in Carmen town, Police Superintendent Leopoldo Bataoil said earlier.

The military would not comment on the report of 15 deaths,

The project was abandoned by its contractor, Shinsung Corp. of South Korea, in October following similar skirmishes sparked by a right of way dispute between the government and Muslim residents.

MILF guerrillas told the reporters the troops were killed on Monday and displayed 13 captured rifles and machineguns as well as two radio sets.

Bataoil said earlier that the security forces had killed two MILF members in Monday's fighting, while government forces suffered one dead and three wounded.

A MILF spokesman here, Gazzali Jaafar, had given a different body count, saying 10 policemen and an MILF rebel were slain while two other guerrillas were wounded.

An army engineering battalion deployed to finish the dam has had to interrupt work due to the attacks.

Three army and police battalions are currently deployed in the area to protect the army engineers and their construction equipment.

The MILF is a breakaway faction of the Moro National Liberation Front (MNLF), which is now engaged in autonomy talks with the government after a failed separatist rebellion in Muslim-populated southern Philippines in the early 1970s.

Group Strengthening Forces

BK2012064594 Quezon City PTV-4 Television Network in Tagalog 0500 GMT 20 Dec 94

[FBIS Translated Text] The Moro Islamic Liberation Front rebel group, or MILF, continues to strengthen its forces. This was confirmed by a high-ranking official of the group, who added that they are still importing high-caliber weapons. The same official said that the Bangsa Moro [Moro Nation] Liberation Front armed group is also continuing to recruit new members.

Meanwhile, MILF rebels have attacked the controversial irrigation project in Carmen, North Cotabato. No casualties were reported in the latest encounter between the MILF and military, which lasted for over an hour.

Thailand

Foreign Minister: Cambodia's Sin Song To Leave

BK2012032394 Bangkok BANGKOK POST in English 20 Dec 94 p 8

[FBIS Transcribed Text] Cambodian fugitive coup leader Gen Sin Song will have to leave Thailand but it remains to be seen where he will go, Foreign Minister Thaksin Chinnawat said yesterday. Gen Sin Song has to leave because he entered the country illegally, Mr Thaksin said, with no clear indication of what would be the former Cambodian interior minister's destination.

"It depends on which country will take him," Mr Thaksin said. "The Foreign Ministry does not know which country will take him. So far there have only been reports that he will go to this or that country."

The minister made the remarks on the eve of his departure for a brief visit to Phnom Penh. The minister is also introducing himself to Laotian leaders in Vientiane as part of his day-long journey today.

Cambodia's military court on October 28 sentenced Gen Sin Song in absentia to 20 years' jail for his role in the failed July 2 coup.

Gen Sin Song has asked for asylum in a number of countries, including the United States, the Netherlands, France, and Vietnam all of which have turned down his request.

The Cambodian government wants him returned to Phnom Penh to serve out his term. But Bangkok insists that it needs the military court's verdict to determine whether he had committed a criminal or political offence.

Mr Thaksin said he would ask Cambodian authorities to hasten delivery of the verdict so that the Thai Government could decide whether the general should be sent to a third country or be repatriated.

An obstacle to this was removed on Friday when another coup plotter, Gen Sin Sen, the former secretary of state

for the interior, failed in his appeal to overturn an 18-year sentence handed down to him by the military court.

Cambodian officials earlier argued that the verdict could not be turned over to Thailand until the Cambodian court had decided on Gen Sin Sen's appeal.

"I will formally ask the Cambodian government to expedite delivery of the verdict," Mr Thaksin said.

"If the Cambodian government does not cooperate clearly by sending the verdict to our government, our consideration (of the case of Gen Sin Song) would be based on the evidence we have," he said.

In Phnom Penh, Mr Thaksin is due to meet Co-Prime Ministers Prince Norodom Ranariddh and Hun Sen, as well as Foreign Minister Ing Huot, with whom he held talks in Bangkok last week.

According to a schedule released yesterday, Mr Thaksin will spend about five hours in Phnom Penh before he heads for Vientiane to spend about the same amount of time there.

In Vientiane, he is due to have talks with his counterpart, Somsavat Lengsavat, and be received by Deputy Prime Minister Khamphoui Keoboulapha, who is in charge of foreign investments in Laos.

Vietnam

U.S. Seen as 'Unlikely' To Request Bases

BK2012032694 Bangkok BANGKOK POST (INSIDE INDOCHINA Supplement) in English 20 Dec 94 p 1

[Report by Suphaphon Kanwirayothin]

[FBIS Transcribed Text] Hanoi—Despite its interest in Cam Ranh Bay as an attractive military installation, the United States is unlikely to approach Vietnam for floating military bases, a proposal which has been rejected by most ASEAN members. The US in October sought permission to keep what would be military supply ships in the Gulf of Thailand so that Washington could respond quickly in the event of emergencies in the Middle East. The Gulf of Thailand, not the South China Sea is the primary goal, specialists note.

"The US is not so intensely interested in the Spratlys, or the South China Sea conflict to the extent of seeking that kind of military presence there, although of course, Cam Ranh Bay remains a much sought-after facility," a Hanoi-based military analyst told INSIDE INDOCHINA.

At the same time, it is highly unlikely that Russia will withdraw from the bay, where it maintains a staff of about 100. Its presence at Cam Ranh is vital to the protection of the Russian-Vietnamese joint venture in oil production off the Vietnamese coast.

Currently inaccessible by almost anyone other than Russians and Vietnamese, the bay has radar that can cover 1500 nautical miles as far as the Malacca Straits.

Thailand, Indonesia and Malaysia rejected in late October and early November the US request for floating military bases in their waters. Speculation subsequently abounded that Vietnam could be the next country that US would approach. But given the analyst's view of the US motives, Vietnam is not likely to be the candidate. It is more likely to be Singapore.

Thailand rejected the US request on the grounds that there was no security threat in the region and Thailand did not wish to jeopardise new friendly relations it had started to build since the end of the Cold War.

The US request is believed to have called for the stationing off the coast of Thailand six supply ships that would carry arms, ammunition and other equipment necessary to dealing with military or humanitarian emergencies.

President Bill Clinton put the request to Prime Minister Chuan Likphai in Washington D.C. on October 6.

Chuan spelled out Thailand's reasons for rejecting the request during a meeting in Bangkok on October 31 with the US Pacific Forces Commander-in-Chief, Admiral Richard Macke.

Thailand, Indonesia and Malaysia are members of the Association of Southeast Asian Nations which will admit Vietnam as the seventh member next year.

Vietnam on December 14 formally denied a published report that it had asked the United States to return to Cam Ranh Bay.

"Cam Ranh has never been brought up in all the contacts between Vietnam and the United States," said a foreign ministry statement carried by the official newspaper VIETNAM NEWS.

"Vietnam will fully exercise its sovereignty over Cam Ranh, as it will over the rest of its territory, and does not wish to see it become a base for any foreign country," the statement said.

State Secrets Said Leaked to Foreign Companies

BK2012095194 Hanoi QUAN DOI NHAN DAN in Vietnamese 25 Nov 94 p 2

[Article by Xuan Yem: "Maintaining Secure Information Under the Situation of an Open-Door Economy"]

[FBIS Translated Text] At a time when our national economy is shifting to a market economy, the broadening of our exchanges with other countries in the world is necessary. This is an inevitable pattern of a developing social economy.

Encouraging Signs

The Law on Foreign Investment in Vietnam has been in place over the past six years and more (1988-94). As of 1 October 1994, the State Committee for Cooperation and Investment had licensed over 1,000 projects financed by more than 50 countries with a total registered capital of \$10.28 billion, of which the actual capital brought into Vietnam as of late 1993 amounted to \$2 billion—about 30 percent of the total capital registered (not including those belonging to canceled projects). Forty-eight out of 53 provinces and cities in the country have had foreign-invested projects. Foreign investment capital pouring into Vietnam has increased at an average rate of 50-60 percent per year. The scope of investment is now larger, and the number of investors with bigger investment capital is growing. After more than six years of achieving cooperation and doing business with foreign countries, we, through various joint ventures, have turned out \$780 million worth of goods. These joint ventures have contributed \$211 million to the state budget and have exported \$279 million worth of goods. Regarding the United States in particular, as of late October 1994, over 100 U.S. companies—with half of them being big ones well known among U.S. and international business circles—had come to Vietnam to seek investment opportunities. Now there are 31 U.S. companies operating in Vietnam.

In recent years hundreds of thousands of foreign visitors and overseas Vietnamese nationals have come to Vietnam for different purposes, ranging from doing economic business to advertising, exhibiting their goods, conducting market surveys, signing contracts, and engaging in cultural, literary, and art activities. Many delegations and individuals have come to Vietnam for scientific activities such as to hold scientific symposiums or attend international seminars. Over 200 scientific symposiums were held in our country in 1993. During the first 10 months of 1994 alone, there were over 170 scientific symposiums held with the participation of foreign countries. More than half of these symposiums were about economics. These scientific symposiums have brought us a lot of useful information.

"Leaks" of State Secrets

Also over the past six years or more, besides the better part of the open-door economy, we have learned quite a large number of lessons on the maintenance of national security.

While doing business in a wide-open economy, we have failed to screen our trade partners and have leaked our secrets to them. Consequently, there have been tens of cases of fraud committed by foreign countries. During the two-year (1993-94) period, authoritative organs

investigated and discovered 95 cases of economic irregularities in the area of joint ventures, resulting in material losses estimated at \$5.617 million and 4.807 billion Vietnamese dong.

We have no unified management over scientific symposiums at a time when so many organs and sectors are registering to hold scientific symposiums, especially those seminars financed by foreign countries. Therefore, "seminars have been held in an anarchic fashion." By offering high fees, foreign agencies and organizations can "order an article written" to dig up the scientific and economic information in which they are interested, especially information that can help them work out their investments, increase or manipulate prices, and sell or buy goods. Due to a lack of control over the dissemination of information and a failure to recover documents, a considerable number of documents concerning national security and natural resources have "been slipped out." In one seminar, a foreign partner raised as many as 80 questions with our Vietnamese scientists and economists. In addition, there have been many joint fact-finding tours held by Vietnamese and foreign experts, thus creating conditions for foreign experts to "get a hold on the Vietnamese economy." These "leaks" of state secrets have in fact harmed economic interests and pose a threat to our national security.

Maintaining National Security in an Open-Door Economy

In any country, maintaining national security has always been regarded as a national policy. In an open-door economy, the maintenance of national security must be given special attention if we are to maintain social stability and regard it as a basis for social development. Maintaining national security must be a vital link of social development work.

We must pay specific attention to the maintenance of national security in various areas ranging from finding trade partners to the signing of marketing contracts, the protection of copyrights, and the information on natural resources and economic, financial, and trade activities. It is necessary to establish a secret information maintenance system in every ministry, sector, corporation, and enterprise. We must uphold a sense of responsibility of directors-general, directors, and chiefs of agencies in maintaining national security. As an immediate task, we must establish regulations on the organization and management of various scientific symposiums, especially those scientific and economic symposiums held with the participation of foreign countries. Meanwhile, we must strengthen our scientific and technical equipment to protect our economy and national security as has been done by many countries in the world.

Maintaining national security is becoming an urgent demand in an open-door economy.

Australia**Minister Welcomes Lifting of U.S. Ban on Beef**

*BK1612084494 Melbourne Radio Australia in English
0500 GMT 16 Dec 94*

[FBIS Transcribed Text] Australia has welcomed the decision by the United States to lift its ban on Australian beef after tests for pesticide contamination proved negative. More than \$250 million [Australian dollars] worth of Australian beef was put on hold worldwide as a result of fears they could have been contaminated with the chemical from cotton thrash fed to cattle starving in the drought.

Graham World reports that the federal government will allure other countries of the test results:

[Begin World recording] The U.S. Agriculture Department impounded 16,000 tons of beef last month after Australian authority warned of the possible contamination. Primary Industries Minister Bob Collins says all the beef has been released following exhausted testing by authorities in both countries. Both tests confirmed there is no health risk. Senator Collins says that's the most welcomed development and other overseas market authorities will be advised of the U.S. test and decision to lift the ban. The ministers says he looks forward to a return to normality in all overseas markets. [end recording]

Papua New Guinea**Government To Help Train New Solomons Soldiers**

*BK1912073494 Melbourne Radio Australia in English
0500 GMT 19 Dec 94*

[FBIS Transcribed Text] Papua New Guinea [PNG] is to assist in training the newly established paramilitary force

of the Solomon Islands. PNG's National Broadcasting Commission says this arrangement will be made possible under a technical cooperation agreement which is expected to be signed soon between the two countries. The idea was agreed to at a meeting between PNG's Defense Minister Mathias Ijape and his Solomon Islands counterpart, Danny Philip.

Mr. Ijape said the Solomon Islands' soldiers will use the (Doby) army depot outside Port Moresby and the exercise will enhance communication between the visitors and local troops.

Legal Action Undertaken Against Secessionists

*LD2012121694 Melbourne Radio Australia in English
1000 GMT 20 Dec 94*

[FBIS Transcribed Text] The Papua New Guinea Government is taking legal action against the premiers of four island provinces in a bid stop them from pursuing activities to form a separate state. PNG's National Broadcasting Commission says government lawyers have filed papers at the national court for individual proceedings against the premiers. The court action is based on certain provisions of the Constitution which the state alleges each leader has violated by openly advocating secession. Similar action is also being taken against a member of parliament from the New Guinea island region.

Attorney General (Sau Gabi) said in a statement the summons further sought an order to prevent each of the five from engaging in further negotiations for secession for the region. The case has been set for hearing on Wednesday next week.

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